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WORLD NEWS

Brussels proposes shorter hours for over 5m workers

The work time of more than 5m European transport workers and junior hospital doctors will be limited to an average of 48 hours under European Commission proposals outlined yesterday. It would extend the EU's "working time directive", and governments would be expected to adopt the proposals by the end of 1999. **Page 16**

Republicans endorse Livingston
Republicans in the US House of Representatives endorsed Bob Livingston to succeed Newt Gingrich as House Speaker. **American news, Page 4**

Argentina to extend Nazi probe
Argentina is to extend an investigation into the role of Nazi war criminals and sympathisers in post-war society. **Latin American news, Page 3**

Mexican business joins fuel protest
Mexican business has joined a chorus of protest against a sharp rise in fuel prices and government proposals to raise taxes as part of an austere 1999 budget. **Latin American news, Page 3**

Israel may start pullback tomorrow
Israel could begin a phased troop withdrawal from the West Bank tomorrow, finally starting implementation of the Wye Plantation peace accord. **International news, Page 8**

Millennium bug still a menace
Checks by some of the biggest corporations in the US and Europe showed serious flaws in work already done to tackle the millennium computer bomb. **International news, Page 8**

Starr to testify on Lewinsky affair
Kenneth Starr, the independent counsel, will today testify about the Monica Lewinsky affair before the US House Judiciary Committee. **American news, Page 4**

MEPs may earn same salary
New European Parliament members elected next June could earn a uniform annual salary of about Ecu68,000 ($79,000) wherever they come from, under proposals approved in Strasbourg. **European news, Page 2**

Japan may waive car tax
The Japanese government is considering waiving a tax on new car purchases if consumers trade in used models. The controversial plan is the latest in a recent series of proposals aimed at reviving consumer sentiment. **Asian news, Page 6**

Prince Jefri wins KPMG battle
Prince Jefri of Brunei, the disaffected younger brother of the Sultan, won his fight to stop KPMG, his former personal accountants, working for Brunei Investment Agency in its investigation of the sultanate's finances. **UK news, Page 9**

Eisner attacks gold rush mentality
The gold rush mentality pervading US business is based mainly on illusion, and many executives are ill-prepared for the inevitable downturn, according to Walt Disney chief Michael Eisner. **American news, Page 4**

Warning on Chinese exports
Conditions for Chinese exporters may worsen next year but a strong balance of payments will continue to underpin the currency, Dai Xianglong, China's central bank governor, said. **Asian news, Page 6**

BUSINESS NEWS

Telefónica plans to replace dividend with shares issue

Telefónica, Spanish telecoms company, announced plans to give shareholders bonus shares instead of paying a dividend. **European companies, Page 21**

Telekomunikacja Polska shares jumped 11.2 per cent when trading began on the Warsaw stock exchange in Poland's national telecoms operator. The move marked completion of central Europe's biggest stock market flotation. **European companies, Page 21**

Euro Disney, operator of the Paris-based theme park, warned of tough challenges in 1999 as it reported a 34 per cent increase in annual net income to FFr290m ($52m). **Companies and markets, Page 17**

The French railway authority and the Polish city of Krakow were among a wide range of borrowers that took advantage of an improvement in market conditions to issue bonds. **Companies and markets, Page 17**

Intel, the world's largest computer chip company, accused UK retailer Dixons of charging high prices for personal computers. **Page 16 and Lex**

Safeway, the UK's fourth largest food retailer, sounded a warning note over expectations for Christmas in the normally resilient food sector, as it reported an 18 per cent drop in first half profits. **UK companies, Page 24 and Comment**

An online internet-based service, aiming to link businesses around the world which want to trade with each other, is to be launched today by a consortium of business groups. **Companies in The Americas, Page 20**

American Express, US financial services group, is seeking a licence to launch its financial brokerage division in Japan. The move is part of a plan to sell US-style investment products to Japanese consumers. **Companies and markets, Page 17**

General trading companies in Japan reported disappointing interim results, reflecting Asia's economic problems and difficulties in focusing on profitable areas. **Companies and markets, Page 17**

NTT DoCoMo, cellular phone operator that listed last month in the largest initial public offering in the industry, reported interim pre tax profits 42 per cent ahead at Y233.1bn ($1.9bn), helped by the Japanese market's expansion. **Asian companies, Page 18**

3Com, US manufacturer of computer modems, is drawing up plans to bring simple "plug-and-play" high-speed internet access to the personal computer market. **International companies, Page 19**

Telecom Italia, troubled telecoms group, and oil and gas conglomerate Eni, Italy's two largest companies in terms of stock market capitalisation, are set to appoint new chief executives. **International companies, Page 19; Lex, Page 16**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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Madrid and Milan back pan-Europe exchange

Momentum builds for alliance of bourses as Paris softens its hostility to link-up

By Vincent Boland in London, David White in Madrid and Paul Betts in Milan

Momentum towards the creation of a pan-European stock exchange to trade blue-chip stocks accelerated yesterday when the Madrid and Milan bourses said they wanted to join the planned London-Frankfurt link-up.

At the same time, Paris appeared to be softening its hostility to the Anglo-German agreement and will host a meeting next week of Europe's leading stock exchanges. The parties will seek a breakthrough on how a pan-European exchange would be structured.

The meeting will be the first since the London and Frankfurt exchanges launched plans in July to set up a common trading system for leading UK and German shares. Details of the meeting are expected to be unveiled today by the Société des Bourses Françaises, which runs the Paris financial markets. That suggests that French plans for a rival alliance of exchanges have collapsed.

European bourses are under pressure to consolidate because of the launch of the European single currency and increased competition, both internally and externally. The New York Stock Exchange and Nasdaq, the US market for growth companies, have been making strenuous efforts to woo European companies to list in the US.

The Madrid bourse yesterday announced it intended to join the Anglo-German alliance, the first European exchange to formally indicate its readiness to sign up for the venture.

The Borsa Italiana also gave a strong signal that it was ready to follow Madrid's lead, while the Amsterdam stock exchange has signalled its interest in joining.

That leaves the French stock exchange, Europe's third largest by market capitalisation, as the only large European bourse to declare its hand. The SBF was not a party to the talks that led to the launch of the London-Frankfurt alliance and was furious at being excluded.

It is understood that talks were held in London last week between the SBF and the alliance in an attempt to overcome French objections to the structure of the Anglo-German deal. One of Paris's main demands is that it be treated as an equal partner with the London and Frankfurt exchanges.

The exchanges hope the Paris meeting will allow them to thrash out details of the trading system and to determine how control should be divided among the European exchanges.

Stefano Preda, chairman of the Borsa Italiana, said the Italian market was interested in joining the alliance "provided a joint project committee is set up to enable all parties in the alliance, big and smaller, to manage and organise together the process of creating the European market."

Madrid officials warned that detailed negotiations on its entry would have to await the response of other European exchanges to the alliance's proposal.

London stocks, Page 36
World stocks, Page 40

Mahathir and Primakov put brave face on troubled Apec summit

Malaysian prime minister Mahathir Mohamad, right, and Russian counterpart Yevgeny Primakov pause on their way to a session of the troubled Asia-Pacific Economic Co-operation summit. Mr Mohamad, who is hosting the get-together, continued the controversy raised by Malaysia's treatment of pro-democracy demonstrators, hinting that he might tighten his grip on them. Apec report, Page 4
Picture: Reuters

ECB MAY FOLLOW FED SOON AFTER DEBUT OF SINGLE CURRENCY

Hope of rate cut for euro

By Tony Barber in Frankfurt

The US Federal Reserve's third interest rate cut in two months raised expectations yesterday that the European Central Bank would cut rates for the euro soon after the currency's debut on January 1.

Economists predicted the ECB, which will be responsible for monetary policy in the 11 countries adopting the euro, would follow the Fed's reduction with a cut of 0.3 percentage points in the benchmark rate of the single European currency during the first three months of 1999.

Assuming a starting point of 3.3 per cent, the present level in Germany and France, this would bring the euro's key rate down to 3 per cent.

The Fed, citing continuing "unusual strains" in financial markets, cut the target for its key federal funds rate on Tuesday by a quarter of a percentage point to 4.75 per cent.

The Fed's cut provides a convenient argument for an early rate reduction by the ECB. It follows a warning from the Organisation for Economic Co-operation and Development that central banks should be ready to ease monetary policy to maintain growth in the international economy.

Any hopes of an interest rate cut in Germany before the end of the year have been all but dashed. The policymaking council of the Bundesbank meets today and is expected to hold its own benchmark rate at 3.3 per cent – the level at which it is already aligned with France and the Benelux countries – to ensure a smooth convergence of rates among the 11 countries in the run-up to the euro.

"We no longer expect an interest rate cut, even though the Bundesbank would have ample reason to make one," said Eckhard Schulte at Industrial Bank of Japan in Frankfurt.

The ECB, Bundesbank and other national central banks have come under pressure from centre-left European politicians, particularly in France, Germany and Italy, to accept that interest rate cuts are a legitimate way of stimulating job creation and economic growth.

But Wim Duisenberg and Hans Tietmeyer, the presidents of the ECB and Bundesbank, have insisted on the principle of central bank independence. They have told the politicians that Europe's high unemployment is caused more by labour market rigidities and lack of tax reforms than by tight monetary policy.

Economists said that the ECB might have resisted making an early rate cut for fear of being seen to compromise the bank's statutory independence. However, the Fed's reduction should make it politically easier for the ECB to make its move sooner rather than later.

Battle-worn Lafontaine, Page 3

European groups win big S African arms contracts

By Victor Mallet in Pretoria and Michael Skapinker in London

Europe's weapons manufacturers landed billions of dollars of orders yesterday as South Africa chose UK, Swedish, German and Italian groups as the preferred companies to refurbish its armed forces, and the United Arab Emirates signed a deal with Dassault Aviation of France.

Thabo Mbeki, South Africa's deputy president, announced R30bn ($5.2bn) of proposed orders from British Aerospace, Saab of Sweden, Agusta of Italy and German arms consortia. A partnership between BAe and Saab will supply 28 Gripen fighters, worth R11bn – the aircraft's first export order. German consortia will provide frigates and submarines.

Separately, the UAE signed a $3.2bn deal to buy 30 Mirage 2000-9 military aircraft from Dassault. The French company will also upgrade 33 older Mirage 2000-5 aircraft. Industry observers said plans by Abu Dhabi to spend $6.8bn buying 80 F-16 jets from Lockheed Martin of the US had run into trouble because Abu Dhabi wanted the control codes to the aircraft. Lockheed Martin said it still hoped the deal would go ahead.

US defence companies were not invited to bid for the South African order because of a US weapons embargo against Pretoria. The ban - lifted earlier this year - was imposed because Armscor, the South African state weapons company, was found to have violated US arms export controls when apartheid was still in force.

Mr Mbeki strongly denied South African press reports that Trevor Manuel, finance minister, had objected to the expense of the order, which is likely to be paid for out of the defence budget over more than a decade.

South Africa wants to reduce the size of its armed forces but modernise their equipment. Because of sanctions against the white minority government in the apartheid era, much of the country's military hardware dates back to the 1960s.

In addition to the Gripen order, BAe was provisionally selected to provide 24 Hawk trainer aircraft worth R4.7bn. GKN Westland of the UK will provide four maritime helicopters worth R787m. The German Frigate Consortium was selected to provide four ships worth R6bn and the German Submarine Consortium three submarines worth R5.2bn. Agusta of Italy, will provide 40 light utility helicopters worth R2.2bn.

South Africa demanded that bidders provide "offset" work in the country in the form of investments in military and civilian industries. Alec Erwin, South African trade and industry minister, said the preferred bidders had agreed to invest R26bn in various sectors, including steel, automotive components, machinery, textiles, plastics and chemicals.

These projects would generate R59bn of exports and R25bn of local sales over seven years and create more than 64,000 jobs, he said.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9010.22	(+23.94)
NASDAQ Composite	1893.65	(+15.33)
Europe and Far East		
CAC40	3612.50	(+10.93)
DAX	4698.72	(-3.91)
FTSE 100	5474.0	(-28.7)
Nikkei	14,590.23	(+186.23)
US Lunchtime RATES		
Federal Funds	4.5%	
3-mth Treas Bills: Yld	4.44%	
Long Bond	100½	
Yield	5.25%	
OTHER RATES		
UK: 3-mo Interbank	6⅞%	(6⅞%)
UK: 10 yr Gilt	132.8	(131.82)
France: 10 yr OAT	134.46	(133.9)
Germany: 10 yr Bund	105.33	(104.64)
Japan: 10 yr JGB	108.55	(108.32)
NORTH SEA OIL (Argus)		
Brent Dated	$$10.215	(10.61)

GOLD		
New York: Comex	$297.8	(294.5)
London:	$297.15	(294.55)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6717	
DM	1.67285	
FFr	5.6065	
SFr	1.3777	
Y	121.4	
London:		
£	1.6735	(1.678)
DM	1.6878	(1.6894)
FFr	5.5908	(5.5876)
SFr	1.3733	(1.374)
Y	121.325	(120.945)
Tokyo Close		Y 121.40
Sterling		
DM	2.7907	(2.7978)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
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REVISED EU STRATEGY DISPUTE WITH US OVER PHARMACEUTICALS AND COSMETICS AVOIDED

Threat of 'mad cow' trade row lifted

By Michael Smith in Brussels

The threat of a New Year trade row between the European Union and the US over trade in cosmetics and pharmaceuticals containing cattle ingredients was lifted yesterday when the European Commission unveiled a revised strategy for fighting BSE or "mad cow" disease.

However, the EU executive's proposal could increase friction between the UK and its European partners. It suggests countries where BSE (bovine spongiform encephalopathy) is widespread will have to adopt tighter controls on the disposal of animal parts considered most likely to carry the disease.

The Commission's proposal would require some countries to remove and destroy "specified risk material" (SRM) including brains and spinal cords from cattle after slaughter.

Put forward by the Commission in blanket form last year in response to the possibility of a link between BSE and a similar disease affecting humans, the proposal would have taken effect in January next year. It attracted widespread opposition in the US, where it was feared it would have halted exports to the EU of cosmetic and pharmaceutical goods containing cattle ingredients.

The Commission's amended SRM proposals, would not apply to industrial, cosmetic or pharmaceutical products and take effect only after next September. The proposals would place countries into one of four groups, depending on the risks posed by their animals' exposure to BSE.

Classification of countries would depend on the incidence of BSE, whether the infected animals were imported or indigenous, and how diseases were monitored and dealt with.

Countries in the first category would not have to remove specified materials, although it is unclear whether any EU states would qualify. Those in category four would have to remove the highest number of animal parts in a manner prescribed by the EU.

Category four standards would be more onerous than those already in force in the 15 EU member states, including in the UK where controls are among the tightest.

The meat industry is likely to argue that it would be put to unnecessary cost under the plan. However, Commission officials indicated yesterday there would be flexibility for countries to meet the requirements.

The system could also cause friction with trading partners which have no BSE history, but will struggle to win category one status because of perceived risks from livestock diseases they do have related to BSE.

The SRM obligations must be approved by member states before they come into effect.

Separately EU farm ministers are expected to vote next week to lift a 30-month ban on UK beef exports. The Commission said yesterday 175,772 cases of BSE had been reported in the EU, 99.7 per cent of them in the UK.

Uniform pay rate offered to MEPs

By Neil Buckley in Strasbourg

New European Parliament members elected in next June's EU-wide elections could earn a uniform annual salary of about Ecu68,000 ($79,000) wherever they come from, under proposals approved in Strasbourg this week.

The plan to make MEPs into EU employees – instead of paying them from national budgets at the same rates as members of their national parliaments as now – would end the huge pay disparities between members from different countries.

The lowest-paid MEPs, from Spain, now earn Ecu33,900 – less than a third of the Ecu115,600 earned by Italian counterparts in the same job. The plan comes a month after MEPs attracted sharp criticism for failing to revamp their lavish expenses and allowances system.

Many members have refused to reform the allowances – seen by MEPs as a way of supplementing salaries for poorer-paid members – before EU states agree to grant them a "members' statute" regularising their pay and status.

The EU's spending watchdog, the Court of Auditors, found MEPs received 30 per cent more in travel allowances last year than if they had flown every journey business class.

If the full parliament approves the statute plan at its next session in Brussels on December 3, it could be presented to the EU's Vienna summit eight days later. But many EU heads of government, who must approve the plan unanimously, are worried that standardising MEPs' pay could provoke a backlash from national parliamentarians who found themselves earning less than countrymen in the European assembly.

Under the proposals, new members would earn Ecu5,677.22 a month, the average of MEPs' current monthly salaries – similar to a mid-ranking civil servant at the European Commission, the EU executive.

Existing MEPs re-elected next June could choose between the new system – which could mean a pay cut – or retaining their existing salary for one parliamentary term. Members would be reimbursed for actual travel costs, on production of receipts, for business class flights or first class tickets, and, as now, would receive allowances for general spending and secretarial costs.

Kosovo plan removes Serb authority

By Guy Dinmore in Belgrade

A new US-proposed peace plan for Kosovo, partially published yesterday, goes some way to meeting the demands of ethnic Albanian leaders by removing Serbia's authority and granting the province substantial autonomy within the Yugoslav federation.

Fighting against time to keep a fragile ceasefire in place, US mediator Chris Hill has presented his latest draft to the Serbian government, Kosovo Albanian parties and the separatist Kosovo Liberation Army (KLA) which is fighting for complete independence.

Extracts of the document and annexes, drawn up by US State Department legal experts Jim O'Brien and Jonathan Levitsky, were published in the Albanian-language newspaper Koha Ditore and shown to the FT.

Kosovo would be reserved 30 seats in the Yugoslav parliament and given places on the federal government and judiciary.

Previous proposals for Kosovo to hold seats in the Serbian parliament have been dropped. "There is no mention of Serbia in the latest plan," a western diplomat said.

Only defence, foreign affairs, customs, foreign trade and monetary policy would be left to the Yugoslav federation, which now comprises the two republics of Serbia – including Kosovo – and Montenegro.

Kosovo would have its own parliament but whether its leader would also be called "president" is still open for debate.

The federal army would remain within 10km of Kosovo's international borders with Albania and Macedonia, but Serbia would relinquish all control over Kosovo's police force.

A new force would be constituted in proportion to Kosovo's ethnic make-up and placed under an ethnic Albanian interior minister with a Serb deputy.

Roughly 90 per cent of the population in Kosovo is ethnic Albanian.

Reaction to the latest plan has been cautious. Fehmi Agani, adviser to Ibrahim Rugova, leader of the largest Kosovo Albanian party, said it was a step forward but the exact status of Kosovo was still too vague.

Representatives of the fractious KLA have objections but are still considering it.

The Serbian government has not responded officially but previously insisted on granting Kosovo autonomy "within the framework of Serbia".

The US proposal covers an interim period of three years after which Kosovo's final status is to be resolved. Kosovo's Albanian parties demand the right to hold a binding referendum on self-determination.

Oneximbank to unveil debt plan

By Andrew Jack in Moscow

One of Russia's largest banks is poised to unveil to its creditors in London next Tuesday proposals on the restructuring of nearly $2bn in debts, in the wake of losses triggered by the country's economic crisis.

The plans by Oneximbank were being finalised as speculation continued about the identity of 18 "socially and economically important" banks that Russia's central bank has pledged to prevent from failing.

Victor Gerashchenko, governor of the central bank, said on Russian television on Saturday that SBS-Agro, Menatep, MOST-Bank and Vneshtorgbank would be among those saved. He said it was inconceivable that Sberbank, the state-controlled savings bank, could fail.

The governor indicated that other banks – including Inkombank, which recently had its licence revoked – would be allowed to go bankrupt. But financial advisers involved in restructuring talks argued yesterday that it could be many months before any bank closed and that only a handful might be shut, to set an example to others.

The effects of the financial crisis of the last few months came to a head this week with the expiry of a 90-day moratorium dictated by the Russian government. A number of forward contracts between Russian and foreign institutions came due during the period or will do so in the coming days.

In an interview in the Kommersant newspaper yesterday, Yuri Maslyukov, first deputy prime minister, said the government would print banknotes worth Rbs15bn-Rbs20bn ($940m-$1.2bn) before the end of the year. That could pave the way for high levels of inflation in coming months, helping to ease repayment difficulties for some of the banks with rouble-denominated debts.

Advisers to several western creditor banks indicated they were analysing movements of assets, undertaken during the moratorium, by the Russian banks to which they had lent money.

They said they were preparing for the possibility of legal action to recover money, but argued litigation was likely to be a last resort as it risked placing those who sued at the bottom of the pile of creditors in any bankruptcy.

Oneximbank has shifted assets to a new institution called Rossbank, which is likely to underwrite its rescheduled debts. Rossbank has also received assets transferred from MOST and Menatep, and is believed to be seeking other equity partners.

Spot the solvent bank, Page 14

Paris bid to save tobacco factories

By Robert Graham in Paris

Dominique Strauss-Kahn, French finance minister, has intervened to halt the closure of two factories owned by Seita, the French tobacco company in which the state retains a residual stake.

His intervention was prompted by a public outcry and union protests over the closures announced a week ago. But his action raises questions about the relationship of the government to privatised companies.

Yesterday, Seita declined to comment on the minister's moves, made at the request of Lionel Jospin, prime minister. Nor is it clear whether the government can roll back the management's plans to rationalise production, concentrating output of its familiar Gauloises and Gitanes cigarettes at Lille, and cigars at Strasbourg.

Speaking before parliament met on Tuesday, Mr Strauss-Kahn said he had told the Seita management "to find other solutions". These, he said, had to be compatible "with the operations of the company, in which the state is no longer majority shareholder, as well as the question of employment and the location of the plants".

Seita began to be privatised in 1995 under the Balladur government. Mr Jospin's Socialist-led administration agreed to sell off a further 5 per cent in May, reducing the overall state stake to 5 per cent.

The bulk of the shares are now held by international institutional investors, including US and British pension funds. At the time, the management made no secret of its desire to boost profitability.

The closures, due within the next two years, will affect some 560 people, equal to 10 per cent of Seita's workforce. They concern factories in areas of high unemployment, at Morlaix in Brittany and Tonneins in the Lot-et-Garonne region of south-west France.

With the consumer switch away from strong dark tobacco, the company argues that without restructuring, over-capacity will more than double to 40 per cent within three years.

Marylise Lebranche, mayor of Morlaix and junior minister for trade and small business, has threatened to resign over closure of the plant, founded 262 years ago and the fourth largest employer in the town.

She says the rationalisation goes against earlier pledges to keep the cigar-making facilities at Morlaix.

The government's move to find an alternative solution to the closures comes as Seita faces new pressure on sales.

Russian crisis hits agencies' campaign spirit

Advertising spend has plummeted, write **Arkady Ostrovsky** and **Anthony Robinson**

A poster advert in downtown Moscow with the Kremlin tower in the background Huub Golsteijn/MT

A Russian tank screeches to a halt at a new blue and white petrol station. Its goofy commander pops out of the turret to order a beautiful but terrified petrol pump attendant to "fill it up with the best".

Thus begins the first new television advertising campaign to hit Russian screens since advertising spend fell dramatically in the aftermath of the August financial crisis. Companies shifted to survival mode, slashed advertising budgets and looked for cheaper, more focused ways of reaching impoverished consumers.

For some companies, however, such as the TNK oil company, which commissioned the tank advert, Russia's financial crisis marks a new opportunity to establish a brand position and fill new gaps in the market.

Most TV and poster campaigns now underway were commissioned and paid for before debt default, devaluation and bank paralysis savaged Russia's consumers in late summer. One new Moscow poster campaign with a Russian flag and the stern message, "no one is going to help us, Russia has to help itself", is unmistakably post-crisis. It was paid for by the tax authorities in an effort to boost collection.

Sergei Vasilyev, a director of Video International, one of Russia's two biggest advertising agencies with almost 50 per cent of the TV advertising market, says rates have dropped 30-40 per cent and his company's sales have more than halved, virtually wiping out profits. The overall market, worth $2.7bn last year and running at a record $2.1bn over the first seven months, has shrunk by about 80 per cent since mid-August. "Advertising was the first expense item foreign companies cut. The bulk of advertising now is by companies which produce in Russia," says Mr Vasilyev.

The number of foreign companies advertising on ORT, the main state dominated television channel, fell by nearly two thirds from 130 in September to 50 in October, while Russian advertisers fell by one third from 60 to 39 in the same period, according to Premier SV, the second largest television advertising agency. "Most of the foreign advertising on Russian TV is a left-over from the pre-crisis days. It is going to run out by the beginning of December," said Sergei Lissovsky, head of Premier SV.

So far, however, it looks as though the industry will pull through. Alexander Gukassov, advertising director for the Dutch-owned but Moscow-based Independent Media group, which publishes both English language newspapers and Russian language editions of a slew of glossy magazines, including Cosmopolitan and Playboy, is among the optimists.

"The crisis provides an opportunity for second tier banks or those with low exposure to the risky government debt market to carve out a bigger market share for themselves," he said. "The same applies to smaller but well managed local companies now advertising to take advantage of their greater capacity to compete with expensive imports."

Big multinational mass market consumer goods companies intend to continue advertising, while narrowing their focus to campaigns which stress value for money. Companies such as Coca-Cola, Procter & Gamble and Cadbury Schweppes have spent heavily to establish brand identification and loyalty. They are in the Russian market for the long term.

But advertising agencies expect the crisis to shift the balance between Russian and foreign clients. "Before August, western brands accounted for 97 per cent of turnover. Advertising of Russian brands could now amount to 50 per cent of total sales," said Mr Vasilyev of Video International.

Once the most vivid sign of Russia's transition to capitalism, advertising has become an equally strong indicator of the country's economic and psychological depression.

"If advertising disappeared from TV screens it would bring the same sense of catastrophe as if red flags had failed to appear at the May Day parade in Soviet days," said Aleksei Levinson, a director of VTsIOM, the leading Russian opinion polling agency. "Advertising symbolised the defeat of Soviet television, the disappearance of advertising would signify its restoration."

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NEWS DIGEST

SPANISH UNEMPLOYMENT

Jobless rate falls to lowest level for six years

Spain's official unemployment rate fell from 18.9 per cent to just under 18.6 per cent in the third quarter, its lowest level for six years, according to the national statistics institute.

The institute's regular survey, which showed a jobless rate well above that of other European Union countries, is believed to overstate the true figure but is taken as the best indicator of labour trends.

Its figure of 3.04m unemployed was 34,500 less than the previous quarter and 290,300 down over the last year. Taking into account new entrants on to the job market, this meant that 164,500 more jobs were created during the three-month period. The figures followed Bank of Spain estimates showing only a slight slowing of economic growth in the quarter to 3.7-3.8 per cent compared with 3.9 per cent in the first half of the year, despite the recent international financial turmoil.

A report by Banco Bilbao Vizcaya predicted yesterday that vigorous domestic demand and moderate wage rises would enable Spain to generate jobs faster than anywhere else in Europe in 1999. **David White, Madrid**

GERMAN CAPITAL

Berlin move 'on schedule'

The German government's move from Bonn to Berlin next summer remains on schedule despite a series of delays to building projects, including the chancellery, in the new capital. Franz Müntefering, the construction minister who is responsible for the transfer, also said the move would remain within its DM20bn ($12bn) budget. Recent reports of an overall delay and cost-overruns were inaccurate.

He said completion of the new chancellery building in Berlin, originally planned for April 2000, would be delayed by six months but that Gerhard Schröder, chancellor, and his officials would be able to work from a provisional building previously occupied by Communist East Germany's council of ministers. The Reichstag parliament building, which is being rebuilt by Sir Norman Foster, the British architect, would be completed on time for the vote of the federal president, due to be held in the building next May.

The move is due to take place during the summer and parliament and government will start work in Berlin next September. Until then, the government will conduct more of its business in Berlin, starting with a cabinet meeting next Wednesday. **Frederick Stüdemann, Bonn**

BELARUS TELECOMS

Mobile phones venture

Belarus, one of the poorest and most conservative countries to have emerged from the former Soviet Union, is to establish its first GSM mobile telephone network.

It has awarded a 10-year concession to Mobile Digital Communications, a consortium led by SB Telecom, a Swiss-based group of investors headed by the Samawi brothers. They have mobile telephone interests in Lebanon with a stake in Libancell, as well as other investments in telecommunications and power generation in the Middle East and Asia.

SB Telecom holds a 49 per cent share in the new Belarus venture. Beltelecom, the state-owned telecoms utility, has 31 per cent and Beltechexport, a private Belarusan trading and investment company, has 20 per cent.

The mobile phone operation is to be launched in Minsk in early 1999. MDC is planning to cover 50 per cent of the population and the main cities within 18 months. Investment in the network is expected to total between $150m and $200m by the end of 2002, and the group is aiming to attract around 120,000 subscribers within three years.

SB Telecom was advised in the tender process by the investment banking arm of Canadian Imperial Bank of Commerce. **Kevin Done, East Europe Correspondent**

SWISS ENGINEERING

Orders fall 12%

Switzerland's engineering industry, which exports three-quarters of its output, has reported a 12 per cent drop in orders in the third quarter of 1998, its biggest setback in more than two years.

The Swiss Association of Machinery Manufacturers reports that Asian exports of its 180 members fell by 17.5 per cent in the first nine months of 1998. Exports to Korea fell 66 per cent, to Malaysia by 49 per cent, to Indonesia by 45 per cent, to Thailand by 38 per cent and to Hong Kong by 29 per cent. By contrast, exports to Taiwan rose 46 per cent in the first nine months; Indian exports rose 3.9 per cent, and exports to China and Japan were both down less than 10 per cent.

Switzerland's textile machinery industry, the biggest in the world, has been hit particularly hard by the slowdown and has been shedding workers and introducing short-time working. **William Hall, Zurich**

AZERBAIJAN MEDIA

Editors go on hunger strike

Editors from 19 independent Azerbaijani newspapers went on a hunger strike yesterday to protest at what they say is a campaign of repression against them by the government of Haydar Aliyev, president.

The editors say criminal cases, which have been opened into the alleged defamation of Mr Aliyev in the local press, as well as recent calls for tighter media controls by parliament, are an effort at renewed harassment and censorship. Mr Aliyev bowed to international pressure and lifted official censorship in August, in advance of a presidential election. The state prosecutor's office in recent months opened criminal cases under a statute prohibiting "defamation of the honour and dignity of the president". **Reuters, Baku**

RUSSIAN SPACE STATION

Mir lifespan extended

Russia is likely to extend the life of the 12-year-old Mir space station until mid-2000, a year later than expected, a government official said yesterday.

The decision may irritate the US as cash-strapped Moscow had pledged to bring down Mir in June 1999 so that it could focus its limited financial resources on the new International Space Station, the first element of which is to be launched tomorrow.

The first crew to the new International Space Station is expected to arrive in January 2000, a year and a half behind schedule, because of Russian delays in building the orbiting station's living quarters.

Extending Mir's life in orbit for another year will cost about $250m and US space officials have expressed concern that Moscow is not financially healthy enough to support Mir and its new commitments. **Reuters, Moscow**

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EUROPE

'Wise men' scorn Bonn's economic programme

By Frederick Stüdemann in Bonn

Germany's new centre-left government faced a burst of criticism over its barely ...inted economic programme ...esterday, when its council of economic advisers poured scorn on its plans to boost employment and investment.

In their annual report, the "five wise men" of the council said the government's planned tax cuts for working families did not go far enough, while business would be hit by the closing of loopholes in corporate taxes.

They also cast doubt on the effectiveness of a proposed "ecological" tax, with which the government plans to use higher energy taxes to offset reduced social security contributions.

The council said the plans, aimed at boosting domestic demand and cutting the costs of labour, would have little impact on reducing the country's high unemployment. "At the moment, we are simply covering over the problems," said Horst Siebert, one of the council members.

In an explicit dig at recent comments by Oskar Lafontaine, the finance minister, and some of his senior officials, the council also dismissed as unnecessary recent calls for interest rate cuts to boost demand and ward off the threat of deflation, whether nationally or within the euro-zone.

The "wise men" said that against a backdrop of slowing growth and uncertainty about the implications for Germany of turmoil in the world economy, the government needed to concentrate harder on making structural changes to the economy. These included a fundamental rethinking of the country's generous social security system.

The council forecast only a slight decline in the number of jobless over the next 12 months from 4.27m to 4.11m, a disappointing reduction against the background of an upturn in the economic cycle.

The council said the proposed "ecological" tax, to be discussed in parliament tomorrow, threatened to miss both of its targets, namely the significant reduction of carbon dioxide emissions and the improvement of investment conditions through the reduction of labour costs.

Exemptions to big energy users meant the boost to the environment would be limited. Reduced labour costs generated by the tax – which will use higher energy taxes to fund social security contributions – may be cancelled out by higher wages if trade unions succeed in their bid to secure higher pay deals.

The government's plans for a tripartite "alliance for jobs" of government, business and unions received a cautious welcome. The "five wise men" said such an alliance, which the former centre-right government of Helmut Kohl twice tried to mobilise in a bid to reduce unemployment, could succeed only if there were no "taboos" and all "hindrances to employment are put on the table".

The council forecast growth of 2 per cent in 1999, down from a 2.75 per cent increase this year.

Battle-worn Lafontaine shows streaks of pragmatism

Ralph Atkins reports on how Germany's finance minister is adjusting to political reality after a controversial start

It was a typical Oskar Lafontaine quip. "Actually, I'm interested in the post of Pope," the new German finance minister said in response to rumours last week that he wanted to be the next European Commission president.

But if the gregarious Mr Lafontaine thought his jest was clever, he was mistaken. The lack of an immediate, convincing denial only fuelled the story – and peppered the endless gossip in Bonn about the left-leaning Mr Lafontaine's insatiable ambition.

By this week, Hans Tietmeyer, Bundesbank president, was pretending to pray to Mr Lafontaine at a press conference after a Franco-German economic summit in Bonn, a meeting at which the finance minister wriggled out of another embarrassment: his clash with the Bundesbank over monetary policy. Mr Lafontaine blamed mis-reporting. His call for an interest rate cut, he insisted, was directed at the new European Central Bank, not national institutions – even if only last month he had mocked the "infallibility" of Germany's revered Bundesbank.

So it is a somewhat battle-worn Mr Lafontaine that visits Rome and London today for talks with Carlo Azeglio Ciampi and Gordon Brown, the Italian and British finance ministers. But the meetings are important tests for Mr Lafontaine, as he seeks support in harmonising European economic policies – part of his plans for job and growth creation.

On Sunday, Europe's left-of-centre finance ministers, including Mr Lafontaine, gather in Brussels; a day later, European Union finance ministers are expected to discuss plans for representing the new euro currency bloc on the international stage.

In his first three weeks in office, Mr Lafontaine, who also doubles as chairman of the ruling Social Democratic party, has had to learn fast about adjusting to political reality. It has been an uncomfortable experience for a politician who helped lead his party into government after 16 years in opposition, and who regards himself as riding a new wave of thinking on demand management, government co-operation and international regulation.

At times, he openly courted controversy. His expansion of the finance ministry to take over significant chunks of the economics ministry appeared a direct swipe at Gerhard Schröder, chancellor, whose nominee as economics minister – Jost Stollmann, the computer entrepreneur – promptly quit. The incident quickly ended any idea of a post-election "honeymoon" for Mr Schröder. On policy issues, Mr Lafontaine's plans for a socially "just" tax reform have run into almost vituperative opposition from industry, which has accused him of "redistributive", 1970s thinking. The scale of protest threatens to undermine Mr Schröder's planned "alliance for jobs" bringing business together with unions and the state.

Meanwhile, Mr Lafontaine's oft-expressed ideas for stabilising financial markets by setting target zones for the main international currencies raised sceptical eyebrows in capitals around the world.

In his first three weeks in office, Lafontaine has had to learn fast about adjusting to political reality Reuters

Is a more temperate Mr Lafontaine now emerging? One result of the Franco-German summit was a noticeably softer line on managing exchange rates. For all Mr Lafontaine's francophile tendencies – he speaks French and was previously prime minister in the federal state of Saarland on the border with France – the Bonn-Paris relationship has not been a particular source of comfort.

French scepticism about Mr Lafontaine's exchange rate ideas prevented agreement on a common position. After the summit, the German finance minister was emphasising the importance of real economic convergence to currency stability. "Lafontaine's rapid retreat" was the headline in Handelsblatt, the business newspaper.

On interest rates, Mr Lafontaine's visit earlier this month to the Bundesbank appears to have forced a strategic re-think – perhaps helped by a little chiding this week from Mr Tietmeyer. Now his focus is on Europe-wide co-ordination of fiscal and wage policies, as well as monetary policy, to promote growth and job creation.

Other streaks of pragmatism have emerged – to some of which Mr Lafontaine has long adhered but which have been obscured by his bombastic style. He argued in parliament last week, for instance, that pressure on public sector finances in Europe "has reduced more and more the possibility of using fiscal policy to combat unemployment". He deplored any repeat of 1970s-style wage demands way above productivity improvements.

Separately, Mr Lafontaine has pledged not to question the European Union's stability pact, intended to ensure fiscal responsibility in countries joining the euro currency in January. He backs calls for structural reform of Germany's overburdened social security system, in particular for unemployment pay to be focused on the most needy.

At the same time, the French and German governments are drawing up a joint paper on economic and financial policy, which they hope will drive forward European co-operation and enhance the process of integration as the euro currency is launched next January. Joint economic initiatives will be on the agenda at today's meetings in London and Rome.

As chancellor, Mr Schröder has staked a lot on Mr Lafontaine. There is a theory that Mr Schröder has deliberately given his finance minister a loose reign – to strangle himself with mistakes and thus to remove the threat of a power struggle. That theory is almost certainly too Machiavellian. However, a more bashful finance minister might make life in Bonn a little less hair-raising for all.

Dispute over Ocalan intensifies

By Christopher de Bellaigue in Ankara and James Blitz in Rome

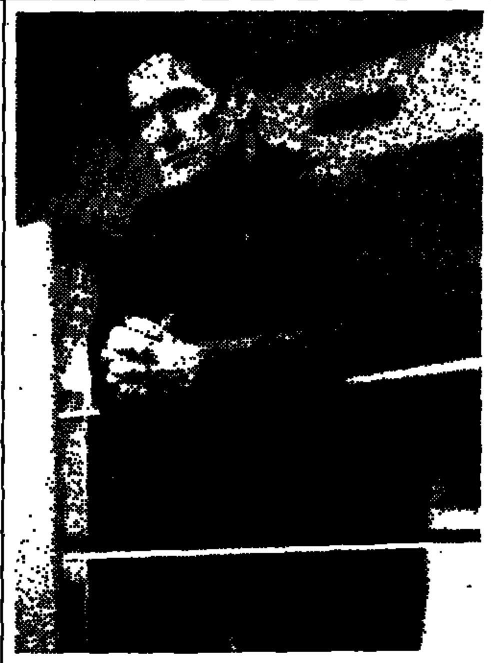
Turkey yesterday launched a nationwide crackdown on the political party associated with Abdullah Ocalan, the Kurdish guerrilla leader seeking asylum in Italy, while the dispute his arrest has sparked between Rome and Ankara intensified.

The crackdown, in which the People's Democracy party (Hadep) said 1,137 of its members were arrested, came on the day of a speech to parliament by Mesut Yilmaz, prime minister, who issued his toughest warning yet to Italy to hand Mr Ocalan over to Turkey.

In his speech, Mr Yilmaz warned that Italy's failure to hand over Mr Ocalan would make it "an accomplice to murder". Such a gesture, he said, would "not remain unanswered" by future Turkish governments.

Massimo D'Alema, Italian prime minister, last night said the Turkish prime minister's comments were "unacceptable" and that Italy would "not be subjected to unjustifiable intimidation".

Mr Ocalan's Kurdish Workers party (PKK) has waged a 14-year war for self-rule in Turkey's south-east, a conflict which has cost 30,000 lives. As Turkish nationalists applauded Mr Yilmaz's speech in parliament, Ahmet Turan Demir, general secretary of Hadep, which wins most of its votes in Turkey's Kurdish-majority south-east, said party buildings in 10 locations had been raided by police, and 1,137 people arrested. Ramazan Bilginer, party chairman in the province of Kocaeli, said that Hadep's provincial headquarters had been surrounded by a rightwing mob, and that pleas for help from Kocaeli's governor and police chief had been ignored. "Our electricity has been cut and our doors broken. We have had to make a barricade to protect ourselves," he said.



SUMMIT ENDS DEBATE URGED OVER REFORM OF INTERNATIONAL MONETARY SYSTEM □ CALL FOR GREATER HEDGE FUND DISCLOSURE RULES

Apec assails credit rating agencies

By Peter Montagnon and Sheila McNulty in Kuala Lumpur

Asia-Pacific leaders wound up their summit in Kuala Lumpur yesterday with a declaration calling for greater disclosure standards for hedge funds and other large international investors, and urging broad debate on reform of the international monetary system as part of the solution to the region's economic crisis.

But their declaration, after two days of discussions marred by a row between the US and Malaysia over political reform, fell far short of endorsing capital controls of the type imposed by Mahathir Mohamad, their Malaysian host.

Instead, the 21-member Asia-Pacific Economic Co-operation forum took a swipe at credit rating agencies, calling for a review of institutions such as Moody's which this week downgraded Japan's sovereign rating.

And, following recommendations from both Malaysia and Australia, it called for discussion of a stronger world financial system to be centred on the Group of 22 nations which includes developing countries as well as Asian ones affected by the crisis. Participants said this would give a more representative debate than one confined to the Group of Seven industrial countries which has dominated world monetary policy discussions. A call by Australia for a G22 summit was not taken up.

The leaders had little by way of new concrete measures to offer a region mired in recession. Instead, their 10-page communiqué offered a set of guidelines for dealing with crisis.

Last night participants were trying to put a positive gloss on a meeting which many admitted privately had been the most difficult in Apec's history. "This has been a very significant summit. The leaders really grappled with real issues with earnest and with candour," said Sadaaki Numata, Japanese spokesman.

But a subdued Dr Mahathir, who chaired the summit, spent little time extolling his achievements as he fended off questions about his row with the US.

"Apec has set itself up for the long term, but there will be years when progress is perceived as very slow," said Don McKinnon, foreign minister of New Zealand, which is to hold next year's summit in Auckland.

The organisation had reached the point where it was having to deal with specific issues where agreement was harder to obtain, he said. But there was already an important agenda emerging for the Auckland meeting, covering efforts to preserve free trade, more sophisticated regulation of financial and other markets and the design of measures to keep ahead of financial market turmoil.

China's President Jiang Zemin (left) with Tung Chee-hwa (centre) and President Habibie Reuter

The fall in economic output has been more extensive than many had expected, the leaders said in their declaration, but it was now moderating. Japan's commitment of public money to strengthen its banking system and boost domestic demand "is the key to the restoration of market confidence and growth, not just in Japan, but in the whole Asian region".

The leaders also stressed the need to push for speedier restructuring of banks and companies in the affected countries to help revive private sector activity.

Explaining the summit criticism of rating agencies, Dr Mahathir said they should confine their ratings to borrowers who had asked for an assessment.

See Editorial Comment

Western audit gives boost to Japan bank

By Gillian Tett in Tokyo

Fuji, one of Japan's biggest banks, will announce tomorrow that Ernst and Young, the international accountancy firm, has given it a clean bill of health on its exposure to derivatives.

The move marks the first time a Japanese bank has used western accountants to audit part of its domestic operations to calm market unease.

The move highlights the efforts of some Japanese banks to reassure international investors about operations. With Japanese banks facing problems raising dollar funds in international markets, other large banks are considering copying Fuji's move.

Fuji's decision to conduct the audit was triggered by a sharp fall in its share price earlier this year after rumours that the bank had suffered large derivatives losses.

Fuji insists the net value of its market-related portfolio was more than Y300bn ($2.4bn) at the end of August. Two months ago, it asked Ernst and Young to audit its derivatives portfolio and explore whether the bank had hidden losses through *tobashi*, the practice of shuffling losses between accounts.

The issue of *tobashi* has provoked concern among investors since it emerged that Yamaichi Securities used *tobashi* to hide losses before it collapsed last year. The government has also indicated that Long Term Credit Bank, at present being nationalised, used *tobashi* to conceal problems.

Fuji Bank will not release its report on the audit until tomorrow. But the preliminary report claims there are no undisclosed losses in Fuji's derivatives contracts and its net unrealised losses are fairly stated. It also states that Fuji's risk management system broadly complies with global standards, though Ernst and Young suggests minor improvements such as tightening clerical practices.

Foreign accountants in Tokyo yesterday welcomed Fuji's move. Though Japanese banks have used international accountants to audit their overseas operations, they have not used them to examine their domestic operations before. "This shows that investor pressure is forcing more transparency," one said.

The audit comes amid growing controversy about the role of international accountants in Japan. These have traditionally operated in partnership with local firms, which have conducted local audits in compliance with Japanese standards.

The World Bank recently warned that international accountants could compromise their reputation if they approved accounts in emerging markets which did not meet global standards.

Frank Harding, president of the International Federation of Accountants, said this danger could apply to Japan as well. "There is a situation in Japan where international firms are operating through members of the family firms, so are in a position where they often have considerable influence but not control," he said.

"There is concern that an international firm may sometimes be used to give a credibility to accounts which comply with local standards but do not comply with internationally accepted standards."

Chinese exporters 'face tough times next year'

By James Harding in Shanghai and Peter Montagnon in Kuala Lumpur

Conditions for Chinese exporters may worsen next year, but the country's strong balance of payments will continue to underpin the currency, Dai Xianglong, China's central bank governor, said yesterday.

Mr Dai refrained from an explicit pledge that China would not devalue next year, when asked whether this year's promise to maintain the exchange rate would hold for 1999.

"Next year, the export situation will be difficult, maybe even more difficult than this year," he said. "But the balance of international payments will remain strong. That will provide a solid foundation for the renminbi's exchange rate."

In Kuala Lumpur yesterday, President Jiang Zemin told the Asia-Pacific summit that China had "paid a high price" for its decision not to devalue the renminbi, but that was part of its desire to help in combating the Asian economic crisis.

The crisis had put pressure on China and had had a negative effect on its economy, but had not shaken its resolve on economic reform. Developed countries should stimulate economic growth, boost domestic demand by fiscal and monetary policies, and refrain from resorting to protectionism.

China's decision on the currency was a strategic one, designed not just for this year, Tang Jiaxuan, foreign minister, said. "I believe this decision is a long-term one."

China has kept its word to hold its currency steady since late last year, but the country's exporters have suffered from the relatively high cost of Chinese goods overseas, as rival Asian exporters have been given a competitive boost by the depreciation in their domestic currencies.

China's exports fell 17.3 per cent in October compared with the same month a year ago. The trade surplus slid 38.1 per cent. For the first 10 months of the year, exports rose 1.3 per cent against the same period in 1997.

Mr Dai was reluctant to give a direct answer to the question of the renminbi exchange rate in 1999.

"If I say [there will be no devaluation], you will say I lack self-confidence," he said, referring to how the Chinese leadership's promises not to devalue have at times raised suspicions, rather than allayed fears. "If I don't say it, you will say: 'The central government and the central bank no longer say it, so maybe the renminbi will be devalued'."

Separately, China yesterday confirmed the setting up of a new regulatory body to oversee the insurance industry, redrawing the lines of supervisory responsibility as part of efforts to instil discipline in the country's financial services industry.

The China Insurance Regulatory Commission will work directly under the State Council, China's cabinet, with responsibility for administering the commercial insurance industry, the state news agency Xinhua reported. The body will be headed by Ma Yongwei, former head of the state-owned People's Insurance Company of China.

NEWS DIGEST

INDONESIAN POLITICS

Jakarta students resume drive to oust Habibie

About 4,000 students, determined not to lose momentum after last week's violent clashes with police, resumed protesting in Jakarta yesterday to push for the resignation of President B.J. Habibie and his military chief.

Two demonstrations in the capital ended peacefully, but 30 students and police were wounded when a protest in eastern Indonesia turned violent. Diplomats said the killing of eight students last week had given students a rallying cry that was attracting other members of society as well.

The armed forces took out an advertisement in national newspapers offering their condolences but students demanded an inquest and the removal of General Wiranto, the chief commander. Mr Habibie has stood by Gen Wiranto, but analysts believe he may have to let him go soon or risk more widescale protests. Amnesty International yesterday urged Mr Habibie to "break the cycle of violence" in Jakarta and in restless regions such as Aceh and East Timor, saying Indonesian troops continued breaching human rights there.

The largest rally was held near parliament, which reconvened yesterday to debate political laws needed for next year's general and presidential elections to proceed.
Sander Thoenes, Jakarta

GITIC FALLOUT

Two HK concerns close

Two Hong Kong engineering companies have became the latest casualties of the financing troubles at China's investment agencies. A Fujian provincial government agency has moved to liquidate the assets of Hop Kin Engineering Development and China Fujian Engineering (Hong Kong), its main subsidiaries in the territory. The two Hong Kong offshoots of China Fujian Co-operation for International Techno-Economic Corp are understood to have debts of more than HK$500m (US$65m).

China-backed companies have been squeezed by bankers' reluctance to lend to them in the wake of the collapse of the Guangdong International Trust and Investment Corporation (Gitic). Gitic was closed down on October 6 because of its inability to repay foreign debts. China's central bank has pledged to make foreign creditors which registered their loans a priority for repayment but no guidelines have yet been issued on the terms for repayment and jitters within the bank sector have prompted some banks to rein in China lending.

An inability to repay loans or refinance them in the tight credit environment appears to be behind the closure of Hop Kin and China Fujian (HK). But bankers say the dual liquidation also hints at problems at the parent. The two Hong Kong engineering companies were to have played a role in the construction of the second runway at the territory's four-month-old airport. Louise Lucas, Hong Kong

NEW ZEALAND ECONOMY

Interest rates hit low

Wholesale interest rates in New Zealand fell to historic lows yesterday after the Reserve Bank announced a substantial easing in monetary policy in response to weaker domestic growth and an uncertain global outlook.

Don Brash, Reserve Bank governor, said he expected relatively easy monetary conditions would be necessary for at least the next "year or two" at a time of subdued inflationary pressures and when there were suggestions of a serious global recession. The bank said it expected gross domestic product would fall from an estimated 2.3 per cent this year to minus 1 per cent next year.

Interest rates fell 55 percentage points to 4.25 per cent after the announcement. The currency saw more modest falls, with the trade weighted index dropping 16 points to 56.34. Terry Hall, Wellington

Simex wins a technical victory

By Louise Lucas in Hong Kong

A battle between Singapore and Hong Kong over futures contracts – and for regional stock market supremacy – was yesterday unexpectedly sidestepped by modern technology.

Morgan Stanley Capital International, which built the Hong Kong index-based futures contract, posted a blow-by-blow guide plus relevant information to compiling the HiMSCI index on its internet website – bypassing the Hong Kong Stock Exchange's ban on information vendors giving exchange price data to the Singapore International Monetary Exchange (Simex).

Simex's Monday launch of the contracts can now go ahead unimpeded: investment banks wishing to trade the contract can create their own real-time versions of the index using live feeds, and then trade on Simex.

The row began this month, when Simex announced plans to launch the HiMSCI, which mirrors Hong Kong's own futures contract.

The HK exchange tried to scupper Simex by invoking its contractual agreement with information vendors to deprive it of real-time data.

As tempers flared, government leaders sought to resolve the issue when they met in Kuala Lumpur at the Asia-Pacific leaders' summit. But diplomacy, it appears, has been overtaken by technology.

The HK Futures Exchange, which throughout the dispute has maintained a dignified and commercial approach, was seemingly unperturbed by yesterday's development.

Clinton heads for Tokyo to urge action on Asia

By Gerard Baker in Tokyo

President Bill Clinton of the US belatedly kicks off a trip to Asia today with a visit to Japan, against a backdrop of growing disharmony between the world's two leading economic powers.

Mr Clinton will use his first trip to Tokyo since the Asian crisis began last year to hammer home the message that the US expects Japan to do more to lead Asia out of recession.

"Just as the world looked to us in America six years ago to put our economic house in order, today nations look to Japan to take decisive steps to help the Japanese people to restore growth in Asia and around the world," he said, just before leaving Washington yesterday.

Though he will extend a cautious welcome to the Japanese government's recent efforts to restructure the country's financial system, he will voice mounting US concern at Japan's soaring trade surplus and urge much greater efforts at promoting domestic demand and opening markets.

The east Asian tour was originally intended to demonstrate Mr Clinton's personal engagement in the region's efforts to pull itself out of recession. But the US president was forced to cancel the first scheduled leg – the summit meeting of the Asia-Pacific Economic Co-operation forum in Malaysia, because of the Iraq crisis.

Officials still hope the truncated trip – a day and a half in Japan and two days in South Korea – will give an additional impetus to economic recovery efforts.

In speeches tomorrow in Tokyo, Mr Clinton is expected to stress the importance of a meaningful fiscal stimulus in bolstering domestic Japanese demand. US officials were still studying the latest package unveiled by Keizo Obuchi, the prime minister, this week, but they said previous packages had not been nearly as positive as they had been painted.

In a sign of growing US irritation with its rapidly expanding trade deficit with Japan, Mr Clinton will call for a more vigorous commitment to market opening by Tokyo. Trade tensions have been exacerbated by a steel dispute: the US is pursuing an anti-dumping suit against Japanese steelmakers.

US to resume secret nuclear weapons talks with India

By Mark Nicholson in New Delhi

US attempts to reconcile India's post-nuclear test security concerns with the global disarmament regime, resume today in Rome with a seventh round of secretive bilateral meetings.

Strobe Talbott, US deputy secretary of state, will continue direct, secret one-to-one meetings with Jaswant Singh, senior Indian government envoy.

The talks come after India conducted a series of nuclear tests in May, followed by matching Pakistani detonations, which caused serious worldwide concern.

So far the talks process, which India regards as the fulcrum of its post nuclear test diplomacy, has yielded only broad declarations from both sides that some progress is being made. The sole tangible offshoot so far was the visit last week of a US technical team to examine India's existing export controls on sensitive technologies.

The crux for India is the demand by the US and other western countries that Delhi formalise its unilateral moratorium on further test blasts and accede to the Comprehensive Test Ban Treaty – a move India is reluctant to make without western concessions. India, in particular, is seeking hitherto barred access to sensitive nuclear and dual-use technology.

For the US, however, the agenda is broader. In an open letter to the Times of India last week, Mr Talbott said US policy was aimed at defusing tensions between India and Pakistan, with which parallel talks are being held.

Mr Talbott urged both sides to consider the dangers of continued testing and eventual deployment of nuclear weaponry.

He said neither side should draw comfort from the peace of the US-Soviet cold war, suggesting neither India nor Pakistan possessed the wherewithal to "manage" such nuclear rivalry. He urged to intensify their recent resumed bilateral dialogue.

Car tax may be waived to spur sales

By Naoko Nakamae and Alexandra Harney in Tokyo

The Japanese government is considering waiving a tax on new car purchases if consumers trade in used models.

The controversial plan is the latest in a recent series of proposals aimed at reviving consumer sentiment, which has soured amid the country's worst recession since the second world war. Earlier this month, the ruling Liberal Democratic party announced a scheme to issue shopping vouchers to bring Japanese consumers back to the stores.

Spurred by demands from car and steel manufacturers, the Ministry of International Trade and Industry (Miti) and the Ministry of Transport are discussing a scheme that would exempt car owners who trade in models more than seven years old from the 5 per cent acquisition tax levied on car purchases.

The scheme would be temporary. Miti said it was considering a six-months to one-year lifetime for the plan. The idea is modelled on similar plans in France and Italy several years ago.

The plan has drawn criticism from local government bodies, which have been squeezed by a sharp decline in tax receipts and rising debt levels in recent years. Since revenue from the acquisition tax is collected by local government authorities, the scheme would in effect be subsidised by them.

Many Japanese municipalities are already on the brink of insolvency and are unlikely to be able to bear the extra burden.

The Ministry of Home Affairs, which represents local government bodies, has also voiced opposition to the plan because revenue from the car acquisition tax is used solely for the maintenance of roads by local authorities.

Some analysts say the plan, while well intentioned, is short-sighted. The collapse in demand in Japan and elsewhere in Asia has sent the country's leading car and truck makers scrambling to cut production and trim costs, and has led Nissan, Japan's second biggest carmaker, to consider asking for as much as Y100bn ($820m) in extra funding from the Japan Development Bank, a government-backed institution.

"There is no doubt it could potentially boost demand, but as soon as the programme goes away, the industry is still faced with excess capacity, with a structure built around a market that no longer exists. This is just delaying the problem, not solving it," said Stephen Usher, car analyst at Jardine Fleming.

When a similar programme was launched in Italy, car sales jumped 35 per cent, but fell sharply once the incentive ended, according to Koji Endo, analyst at Schroders.

If successful, the programme could have a considerable impact on the Japanese economy. A recovery in demand for cars and trucks would have a spillover effect on Japanese manufacturers, including machinery, parts and steel makers.

Australian $ seen as fifth most traded currency

By Gwen Robinson in Sydney

The Australian dollar could become the fifth most frequently traded global currency – moving from its current eighth place – when a number of European currencies begin to be superseded by the euro from January 1, according to new research by HSBC Markets.

For European and US investors, the Australian dollar would provide a channel for asset diversification in foreign exchange markets. The progressive liberalisation of European financial markets, particularly in fund management, would hasten the trend, HSBC Markets said.

Analysts at leading investment banks in Australia said yesterday there had been a marked increase in the past six months in European investors in the Australian-dollar foreign exchange and bond markets.

Underpinning the trend has been the recent move by some international investment banks, including Citibank, Bankers Trust and Dresdner, to increase or relocate their regional foreign exchange-related operations to Australia.

The relatively high liquidity of the Australian market and its reputation for high regulatory standards have already established the Australian dollar as a global currency with a daily turnover "very much higher than would be suggested by trade or capital flows," noted John Edwards, chief economist at HSBC Markets.

In the past four years, global Australian dollar foreign exchange transactions have increased nearly 50 per cent to an average daily turnover of A$60bn (US$38bn).

From next year, integration of some European currencies and expected signs of recovery in Asia would further "change the character" of the Australian dollar market, HSBC said in a report.

"In important respects, the currency will become the Swiss franc of the Asia-Pacific region."

Indications that the UK intends to join the euro currency union early next century would further erode the market for foreign exchange transations between uniting European currencies. Also, Switzerland would be increasingly obliged to adopt the euro as a companion currency to its franc.

"When these changes are complete, the world's most frequently traded currencies will be reduced to the US dollar, euro and yen, with the Australian dollar, Swiss franc and Canadian dollar vying for fourth place. These currencies will become respectively the secondary traded currencies of Asia, Europe and the Americas."

Economists have praised the stance of the Reserve Bank of Australia, the country's central bank, to resist cutting interest rates when the Australian dollar recently plunged. It has since recovered to the US$0.64 level.

Microsoft begins to feel competitive pinch

By Louise Kehoe in San Francisco and Richard Wolffe in Washington

Microsoft, the world's largest software company, came under mounting competitive and legal pressure yesterday following the serious setback in its dispute with rival Sun Microsystems.

Lawyers for the US government said the preliminary ruling on Tuesday night in the California lawsuit filed by Sun would strengthen the antitrust case against Microsoft which is currently being heard in a Washington court.

Microsoft's shares declined $1⅝ to $110¼ in mid-session trading yesterday, while shares of its internet rival Netscape gained 21 per cent at $35½, up $6¼, on expectations of an imminent deal with America Online (AOL), the world's largest internet service provider.

Netscape Communications said it hoped to unseat Microsoft as the exclusive supplier of browser software to AOL, which has more than 14m subscribers. AOL's shares rose by 8 per cent, or $6¼, at $81½.

Netscape hopes to gain as Microsoft's controversial "exclusivity clause" in its internet browser deal with AOL is set to run out in January.

"It is no secret that Netscape would love to have that business," a software industry official said.

Microsoft's antitrust trial had "raised public awareness" of Microsoft's role in the software market, Netscape said.

A California judge ordered Microsoft, late on Tuesday, to modify its flagship Windows 98 product as well as its internet browser software to comply with the terms of a licensing agreement with Sun.

In his ruling on Tuesday, the federal judge said Sun was likely to prevail in its lawsuit.

His preliminary injunction demanded that Microsoft stop shipping products that include an altered version of Sun's Java programming language within 90 days.

However, Microsoft's lawyers yesterday insisted that the judge's ruling "will have no impact on our existing customers or existing products" but would merely extend its support for software developers.

They also dismissed the Sun ruling as irrelevant to the US government's antitrust lawsuit.

Tom Burt, Microsoft's associate general counsel, said: "Obviously Microsoft is disappointed by the ruling but it is a preliminary ruling, not a final ruling, and we look forward to the opportunity to put all the facts in front of the court.

"The ruling is a narrow ruling that will actually have very little impact for the case in Washington DC because it dealt with a very technical interpretation of a very technical and complicated contract. It has nothing to do with the cross-platform capabilities of Java, but it has to do with using Java specifically for a platform like Windows."

Lawyers for the US government said Microsoft's courtroom defeat represented "a great piece of evidence" which will shape their attack in the five-week-old antitrust trial.

Witnesses from Netscape Communications, Apple Computer and Intel have all testified that Microsoft attempted to stop development of "cross-platform" software which could work with Windows-based computers as well as other machines.

David Boies, the leading attorney for the US Justice Department, said the judge's preliminary injunction in the Sun case reinforced the argument that Microsoft had tried "to destroy cross-platform aspects of Java, which has obviously been a significant part of our case".

The US government plans to call as a witness James Gosling, Sun's chief architect of Java, who is expected to repeat the allegation that Microsoft attempted to undermine Java. Sun Microsystem's shares were up $1⅞ at $68½ in mid-session yesterday.

Republicans endorse new Speaker

By Mark Suzman in Washington

Bob Livingston: must heal rifts in Republican party

Republicans in the US House of Representatives yesterday formally endorsed Bob Livingston as Newt Gingrich's successor as House Speaker and decided to retain Dick Armey, Mr Gingrich's chief deputy, as House majority leader.

But in a sign of the party's desire to move beyond its traditional support base, members also elected J.C. Watts, the Republican's only black member of Congress, as House conference chair, the fourth-ranking post.

Mr Livingston's nomination had been widely expected and came on a voice-vote before members selected their leadership team for the new Congress that will take office in January.

He was unopposed for the position and is expected to focus on building consensus within the party and with the White House, in contrast to the combative Mr Gingrich, who stepped down in the wake of the party's unexpected election setback earlier this month.

However, Mr Armey had to fight off a tough challenge from opponents after some members blamed him for contributing to the disappointing election result. Others wanted to select someone who was more telegenic and could help broaden the party's public appeal.

In the final vote Mr Armey defeated Steve Largent, a former football player closely associated with the party's conservatives, by 127 to 95 on a third ballot. On earlier rounds Jennifer Dunn, who had been bidding to become the first woman in the party's senior leadership, and Dennis Hastert, who was a write-in candidate, were defeated.

All the challengers struck a conciliatory note after the election, emphasising that they intended to work together to try to flesh out a new agenda ahead of elections in 2000. Mr Largent said: "As a result of this struggle, our party and our conference will be healthier."

However, analysts warned that the size of the vote against Mr Armey demonstrated that the party was still deeply divided. Mr Gingrich appealed to Mr Livingston to try to ensure that the factionalism that had wracked the party in recent months was put aside.

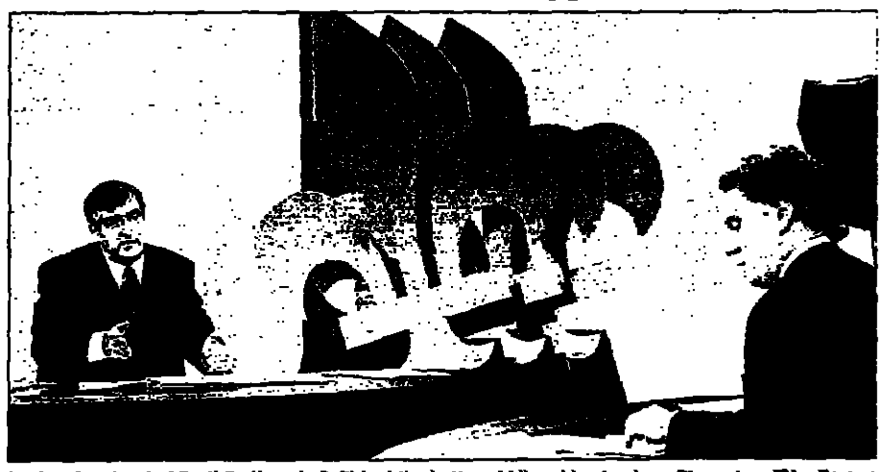
"Your success as Speaker will in large measure be whether people in this room stand together and stand united," Mr Gingrich is reported to have said after Mr Livingston's election.

In the race for the party's number three job, Tom DeLay, the incumbent House whip, was also unopposed. However, the victory of the charismatic Mr Watts over John Boehner, the incumbent, was an upset.

TV DEBATE BOUCHARD POISED FOR RE-ELECTION AFTER CHAREST FAILS TO SHINE

Boost for Quebec separatist

By Edward Alden in Toronto



Lucien Bouchard of Parti Québecois (left) had the better of Liberal leader Jean Charest on TV Reuters

Lucien Bouchard, the pro-separatist premier of Quebec, appears poised for re-election after his opponent, Jean Charest, failed to revitalise a fading campaign in the only debate between the two before the November 30 vote.

In a two-hour debate on Tuesday night, neither made any notable blunders but observers said Mr Charest needed better than a draw to recoup lost ground. "A tie is a win for the incumbent," said Christian Bourque, a pollster with Angus Reid.

Mr Charest, the Liberal leader widely seen as the best hope to defeat the separatist Parti Québécois government and end the looming threat that Quebec may secede from Canada, has been steadily losing ground to the popular Mr Bouchard.

The latest poll by Léger and Léger, the Quebec polling group, shows the PQ with a 47 to 45 per cent lead in the popular vote.

But the government's lead is as much as 20 percentage points among French-speaking voters, which would translate into a strong majority of seats for the PQ because Liberal support is heavily concentrated in the English-speaking portions of Montreal and the Ontario-Quebec border.

The Liberals faced a difficult task from the outset of the campaign. Mr Bouchard's government enjoys a 55 per cent approval rating and is close to balancing the provincial budget, while unemployment in the province has fallen to less than 10 per cent for the first time in a decade. Mr Bouchard's campaign has emphasised good government while remaining ambiguous on whether he would hold another referendum to secede from Canada, a referendum two-thirds of Quebeckers say they do not want.

Mr Charest struggled on Tuesday night to find a consistent theme. He launched the campaign promising a 30 per cent tax cut and smaller government, but in the debate emphasised more spending on health and education, hurt by the PQ's effort to eliminate the budget deficit.

"The problem is it has not been a clear message," said pollster Jean-Marc Léger.

Mr Charest warned that the threat of another referendum would be "a ball and chain" around Quebec's economy. But he was put on the defensive by Mr Bouchard, who challenged the Liberal leader to offer a plan for strengthening Quebec's powers within Canada.

Argentina extends Nazi probe

By Ken Warn in Buenos Aires

Argentina is to extend an investigation into one of the darkest and most controversial aspects of its recent history – the role of Nazi war criminals and sympathisers in post-war society.

The Commission of Inquiry into the Activities of Nazis in Argentina (Ceaba), set up by President Carlos Menem last year, is to be extended beyond the year that was initially planned, possibly indefinitely, said Ignacio Klich, who is head of the commission's academic committee.

The activities of Nazis and fascists from the other Axis powers in Argentina remains a highly charged issue in Argentina even today. Gen Juan Domingo Perón, founder of the country's ruling party, drew many elements of his political programme from European Fascism. There is also evidence to suggest he encouraged prominent Nazis to settle in Argentina after the war, not least to help with the country's military programmes.

The presence of French and Belgian fascists in Argentine institutions may also have helped embed anti-semitism in some areas of society, say investigators. Argentina has a Jewish community of some 300,000 people, Latin America's biggest and one of the world's biggest outside Israel.

The commission will seek ways of disseminating its findings, due to be presented in a report next year, to as many levels of Argentine society as possible, including the armed forces and the federal police, said Mr Klich yesterday. "Argentina is moving from a culture of secrecy to one of transparency," he said. "We hope our findings can eventually be used to help in the construction of a civil society."

Extension of the commission's life follows a three-day session to review the preliminary findings work of its group of international researchers into about 10 separate fields of study. The commission is seeking to compile evidence on subjects ranging from the number of war criminals who took refuge in the country to their economic activities.

NEWS DIGEST

INCREASE IN VOLATILE AIRCRAFT EXPORTS

US trade deficit shows a sharp improvement

The US deficit on trade in goods and services narrowed significantly in September from August's record high, the Commerce Department said yesterday. However, because this was largely due to a sharp rise in aircraft exports, which are subject to wide monthly variations, the reduction was not seen as likely to lessen trade pressures on the US economy.

Economists said the figure suggested that US growth in the third quarter had been faster than the latest official estimate of 3.3 per cent, raising some questions about the Federal Reserve's decision on Tuesday to cut interest rates for the third time in seven weeks. However, this could well be followed, they said, by a weaker than expected fourth quarter.

The deficit in goods and services fell from $15.9bn in August to $14bn in September, while the deficit in goods alone narrowed from $22.7bn to $20.6bn. The change was explained by a virtual doubling of civilian aircraft exports from $2.04bn to $4.04bn. **Stephen Fidler, Washington**

LEWINSKY SCANDAL

Starr ready to testify

Kenneth Starr, the independent counsel, will today testify about the Monica Lewinsky affair before the House of Representatives judiciary committee, amid renewed wrangling between Democrats and Republicans over how impeachment hearings involving President Bill Clinton should be handled.

Although congressional support for impeaching the president has dwindled significantly since unexpected Democratic successes in this month's elections, Republicans are now considering expanding the inquiry.

Henry Hyde, committee chair, is considering calling several new witnesses – including Bruce Lindsey, the president's closest adviser, and John Huang, a former Democratic party official charged with campaign fundraising abuses. Mr Huang's inclusion on the witness list would be particularly problematic for the White House, as it could allow the committee to drag out old accusations of campaign fundraising abuses in the 1996 campaign.

Democrats yesterday accused the Republicans of mounting a last-ditch attempt to try to dig out new offences against Mr Clinton when the Lewinsky-related charges had failed. **Mark Suzman, Washington**

PINOCHET EXTRADITION REQUEST

Lords' ruling next Wednesday

Augusto Pinochet, the former Chilean dictator, will learn next Wednesday whether the British courts have approved his extradition to Spain to face trial on charges of murder, torture and hostage-taking. The House of Lords, the UK's most senior court, will give its ruling then on an appeal by the Spanish government against a UK High Court judgment that General Pinochet was immune from prosecution because he is a former head of state. By coincidence, next Wednesday is the general's 83rd birthday.
John Mason, Law Courts Correspondent, London

CANADIAN ECONOMY

Central bank cuts rate

Canada's central bank yesterday cut its overnight lending rate by a quarter of 1 percentage point to 5.25 per cent, matching Tuesday's rate reduction by the US Federal Reserve. The Bank of Canada has followed the last three US interest rate cuts, unwinding most of the 1 percentage point increase it imposed in August to shore up the falling Canadian dollar. The country's main banks immediately responded by reducing their prime lending rates 25 basis points to 6.75 per cent. **Edward Alden, Toronto**

On the web today

● Disney chief hits at 'gold rush' mentality ● Picasso fetches $11m ● Businesses in Mexico join budget protest ● Chávez capitalises on Venezuela's divisions
http://www.FT.com/Americas

IRAQ WEAPONS INSPECTORS RETURN TO SITES □ BAGHDAD OFFICIALS EXPECT SMOOTH PROGRESS TOWARDS SANCTIONS REVIEW

UN inspection teams resume monitoring

By Roula Khalaf in Baghdad

United Nations arms inspectors went to work in Iraq yesterday for the first time since the end of the crisis over weapons inspections. Caroline Cross, spokeswoman for the mission in Baghdad, said the inspectors had resumed the full range of their activities. Most of those who returned this week, however, were monitors.

Their main task is to check the more than 400 facilities, including breweries and laboratories, that have already been inspected but must be checked to ensure Iraq does not use them to redevelop weapons of mass destruction.

Investigators who would go into sites to look for weapons and documents have yet to arrive in Baghdad, but Ms Cross said she expected staff reinforcements in the next days.

The US, which called off air strikes on Iraq last weekend after President Saddam Hussein agreed to allow the inspectors back, wants Unscom, the UN inspectors' commission, quickly to execute tough tests of Iraq's commitment to comply. Washington has warned it could still strike Iraq if it fails the test of co-operating with inspectors.

Iraqi officials appear confident that the resumption of inspectors' work will proceed smoothly, and pave the way for the UN Security Council to hold a comprehensive review of sanctions. The review was offered to Baghdad in August as an incentive to reverse a partial ban on inspections. But the terms of the review agreed by the Council fell far short of Baghdad's expectations, which led it in October to escalate the crisis, and expand its ban to monitors.

Richard Butler, chief UN weapons inspector, is not expected to travel to Baghdad, but he said earlier this week that he would ask the Iraqi government to hand over two documents to which he had been denied access. A senior Iraqi official said late on Tuesday his government would "discuss" such matters with Unscom.

Baghdad is taking comfort that Kofi Annan, the UN secretary-general, will be the one to report to the Security Council on whether Iraq has met the test of compliance. He is seen by Baghdad as an impartial party while Unscom is viewed with great suspicion.

● Britain will convene a meeting of about 15 Iraqi opposition groups next Monday to urge them to settle differences and work together to restore democracy to Iraq, British officials said. But they said that for the time being there would be no question of handing over large sums of money or any weapons to groups opposed to Mr Saddam.

To victims, sanctions do not seem to be aimed at Saddam

Battered and bowed, the Iraqi people find it difficult to believe the punishment is not intended for them, writes Roula Khalaf

In Baghdad's Arab market, a bazaar of leather goods and cheap clothing, children search through piles of garbage for bits of plastic, cardboard and cloth. Stuffing whatever they can find in bags, they deliver their booty to "wholesalers", earning 1,000 dinars a day.

The amount, worth less than $1, is a daily fortune in a city where salaries average a few dollars a month. The children, ranging in age between 7 and 12, have long since dropped out of school to support families that are struggling to survive after eight years of United Nations-imposed sanctions.

The most comprehensive sanctions in history have had a debilitating effect on Iraq's 22m people. A system aimed at weakening Iraqi President Saddam Hussein and perhaps dislodging him from power appears to have hurt Iraq's children the most, raising concerns that the next generation of Iraqis will have as defiant an attitude towards the west as Mr Saddam has today.

Sanctions have reduced Iraq to two distorted economies. The largest is a state-run welfare system which, under UN observation, distributes food and medicine. The other is officially private but largely government directed, involving illegal trade and investment that have helped the regime survive.

A country with the second largest proven oil reserves in the world, in 1980 Iraq had a per capita income of more than $5,500. By the end of the war with Iran in 1988 it was below $4,000, but Iraqis still enjoyed one of the Arab world's highest standards of living thanks to a generous welfare state which allocated significant resources to education and healthcare, in spite of huge military spending.

However, by 1995, after five years of sanctions, per capita income had fallen to $330 and it is estimated that 5,700 children were dying a month. Another million have been stunted from malnutrition and avoidable illness.

According to the UN humanitarian office in Baghdad, the oil-for-food programme, which now allows Iraq to sell up to $5.3bn of oil every six months to buy mainly food and medicine, has led to significant improvements in the health sector and the rate of malnutrition appears to be "ebbing".

While the plight of the children is the most visible side of sanctions, their effects have been felt in every sector of Iraqi society and economy.

It is estimated that $120bn worth of oil sales have been forgone in the past eight years. The expanded oil-for-food deal was meant to include the purchase of spare parts to help stem the deterioration in infrastructure, including electricity, water and health sanitation. But with a delay in the arrival of spare parts needed for oil production and the collapse in oil prices, Iraq is expected to have pumped in the phase ending this month only $3.2bn worth of oil.

Of that, it gets to spend only about $2.1bn. The rest goes to pay war reparations to Kuwait and the cost of the UN operation, including the arms inspectors searching for Iraq's weapons of mass destruction.

Agriculture has also been crippled by the lack of spare parts and livestock production has dropped by more than 50 per cent because of disease and poor sanitation.

In education, Iraq's proudest achievement, the UN Children's Fund estimated in 1995 that only 87 per cent of Iraqi children were enrolling in primary schools, down from 100 per cent before the Gulf war.

The Iraqi regime, meanwhile, has fared better than most Iraqis. It rebuilt much of the country after the devastation of the Gulf war. Then, before it accepted the oil-for-food programme in 1996, taxes levied on smuggling and manipulation of the black market maintained a small supply of foreign currency, but contributed to a massive rise in prices.

In the past two years, pressure for foreign exchange has been relieved. Illegal oil sales through Turkey and Iran and a greater willingness especially by Arab businessmen to break the sanctions and invest small amounts in Iraq have given the government at least a few hundred million dollars a year to spend freely.

These funds have made possible such things as an additional food ration for state employees or new cars for the police. They also allow it to maintain an extensive security apparatus as well as rebuild conventional military forces.

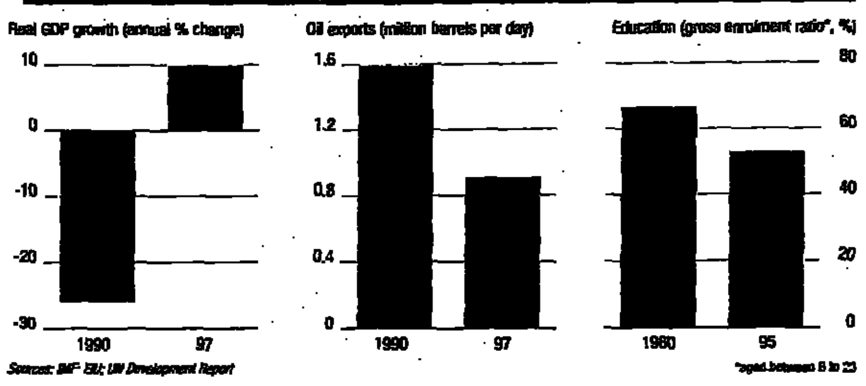
In these circumstances, the battered and isolated Iraqi population has been so pre-occupied with survival that it has had little time or energy to entertain the dangerous idea of organising political opposition to the regime.

Moreover, the sanctions have lasted so long that few Iraqis can any longer believe they were aimed at their leader and not them.

The plight of the working children of the Arab market simply echoes the government rhetoric that the sanctions are a US conspiracy to destroy a great Arab country.

Iraq: sanctions make their mark

An Iraqi woman cries over the grave of her two-year old daughter in a Baghdad cemetery. Iraqis have suffered as sanctions hit food and medical supplies.



Sources: IMF; EIU; UN Development Report

Flaws found in Year 2000 conversions

By Christopher Price in London and Avi Machlis in Jerusalem

Checks by some of the biggest corporations in the US and Europe have revealed serious flaws in work already undertaken to tackle the millennium computer bomb.

Unisys, the US computer systems and services group, said yesterday that a testing facility in the UK had uncovered problems with more than 20 of Britain's top 100 listed companies.

"Some of the issues we found would have taken their systems down," said David Palmester, Year 2000 programme manager for Unisys. "The quality of testing they have undertaken is very worrying."

The millennium computer bomb problem has come about because of the inability of older systems to recognise the change of date from 1999 to 2000. The fear is that many of these systems will malfunction as a result.

Crystal Systems Solutions, an Israeli information technology group, said yesterday that Ford, the US vehicle manufacturer, Pratt & Whitney, the US aero-engine company, and a large German car manufacturer were among 20 US and European companies to commission verification services this year for conversions done by other companies.

"More and more companies that classified their systems as compliant or converted are asking for verifications," said Ben Levy, Crystal's vice-president of marketing and sales.

"In several cases we found date issues were either missed, not converted or converted wrongly. The problem is that one mistake in one program can cause a major problem to a business."

Mr Palmester said that most of the problems being thrown up in the latest checks were for companies which had attempted to solve the problem in-house.

He said this often involved the company employing contractors to address the issue who perhaps were not completely familiar with the systems they were dealing with or the diagnostic tools they were using.

"In every instance we have come across of companies thinking they were compliant, we have found date relevant issues in their mission critical applications."

David Marshall, managing director of Greenwich Mean Time, a UK IT diagnostics company specialising in Year 2000 solutions, confirmed similar findings. "Too many companies have attempted to tackle the millennium bomb through a piecemeal approach to their systems."

Crystal said a verification job for a mid-sized company with 10m-20m lines of computer code could cost several million dollars and take more than three months to do properly.

The emergence of evidence that much of Year 2000 compliance work already undertaken may not have solved the problems will add further concern to governments attempting to contain the situation.

It follows a report last week from Cap Gemini, Europe's biggest software and services company, warning that it was too late for governments, organisations and companies in Europe and the US to solve the millennium bomb problem.

It advised the tackling of the problem in the essential services as a matter of urgency.

It also emerged in the UK this week that the authorities had made contingency plans to use the armed services, in conjunction with the police force, to combat problems thrown up by the millennium bomb.

Israel may start troop pullback from tomorrow

By Judy Dempsey in Jerusalem

Israel could begin a phased troop withdrawal from the West Bank tomorrow, ending weeks of delay and wrangling and finally starting the implementation of the Wye peace accord.

Pending approval from today's cabinet meeting, Israel will hand over 2 per cent of land under its exclusive control to joint Israeli-Palestinian rule. A further 7.1 per cent will be handed over to full Palestinian control.

Additional handovers will take place during the three-month implementation period. After that, Yassir Arafat, president of the Palestinian Authority, will have full control over 17.9 per cent of the West Bank and partial control over 22.9 per cent.

David Bar-Illan, adviser to Benjamin Netanyahu, Israeli prime minister, said the pullback "will take only a matter of hours. It does not involve dismantling any military installations".

However, he warned that if the cabinet was not satisfied with the Palestinians' plans to confiscate illegal weapons, arrest 10 out of 30 suspected terrorists and pass an anti-incitement law, implementation could be further delayed.

Palestinian and US officials said all such demands had been met. But there was some resentment that Israel did not give any commitment to stop expanding settlements or confiscating Palestinian land for by-pass roads which would give Jewish settlers easier access to the main roads.

There is also resentment over the way Israel has chosen which Palestinian prisoners will be released from Israeli jails.

More than 3,000 prisoners are still being held by Israel. At the Wye Plantation talks just outside Washington, it was agreed 750 would be released in stages, with 250 prisoners due out in the first phase, possibly by the weekend.

But Israel said of the 250 pending releases, 150 would include criminals. Palestinian officials, who wanted the list to include all political prisoners, are furious with this decision, particularly since all the remaining detainees, as agreed under the 1995 Israeli-Palestinian Interim Agreement, were supposed to be released before and during the final status talks.

Meteors fail to produce a storm

By Clive Cookson, Science Editor, in London

The Leonid meteor storm predicted for the early hours of yesterday morning was a disappointment for many people who had hoped to see a spectacular display of shooting stars – but a relief for space agencies that feared possible damage to their satellites.

There was no report of any meteor-induced malfunctions in any of the 600 or so satellites in orbit around the Earth. The crew of the Russian space station Mir, who sheltered in their Soyuz escape capsule, did not see or hear any impacts.

There were mixed reviews of the show from the ground. Some people in Asia saw as many as 2,000 meteors an hour at the peak of the shower yesterday, though in Europe activity had peaked earlier than astronomers had predicted, on Tuesday morning. Nowhere experienced a display to match the 150,000 meteors per hour seen during the last Leonid storm in 1966.

Uganda sells 51% stake in telecoms group

By Mark Turner in Nairobi

WorldTel, the International Telecommunication Union's investment fund, and Detecon, a Deutsche Telekom subsidiary, have won a tender for 51 per cent of Uganda's telecommunications company with a bid of $23m.

Along with the award of a second national operator licence to South Africa's Mobile Telecommunications Network (MTN) in April and the flotation of Uganda Telecom's remaining 49 per cent within a few months, analysts expect the sale to spark rapid growth in the Ugandan telecoms market.

The International Finance Corporation, the World Bank's commercial lending arm, estimates that demand for telephone lines will increase from 50,000 today to 380,000 by 2006 and that total international traffic will rise from 24m minutes in 1997 to 268m minutes over the same period.

According to the terms of the tender, the WorldTel consortium is to install 100,000 new fixed telephones lines within five years, while MCN, which is expected to progress from mobile to fixed services next year, has a roll-out obligation of 89,000 lines.

While the two national operators will operate a duopoly on the fixed telephone market for five years, a third operator, Celtel, has been allowed into the mobile market, and there will be room for other internet, payphone and paging service providers.

"Unlike other countries, Uganda decided to go straight into competition," said Brian Samuel, an IFC telecoms expert. "That has really injected some vibrancy into the sector: cellphone rates, for example, have already plummeted by 50 per cent."

This week's announcement has also helped allay international donor concerns raised when Uganda's parliament suspended the country's privatisation programme in August, demanding the right to review all of the companies slated for sale.

After it transpired that the parliament did not have the powers to halt the programme, the government gave it 45 days to complete a report. That period has now expired.

"All preparatory activities are going ahead as planned," said Michael Opagi, from the country's privatisation unit, adding that Uganda Airlines, the state sugar and tobacco concerns and a state-owned bank would be privatised by next March.

The World Bank says it was satisfied with the progress and transparency of Uganda's privatisation programme so far, but warned that it should not rest on its laurels.

"One of the top four constraints on investment in Uganda is a lack of infrastructure," said a Bank official. "Increased private participation in infrastructure is one of the top priorities for Ugandan growth."

Nonetheless, the country continues to outstrip its East African neighbours. Telecoms privatisation in Tanzania is expected to proceed over the next few months, but there is no clear date, while a telecom bill in Kenya is stalled at presidential level.

NEWS DIGEST

US TRADE AND INVESTMENT

Millions of jobs depend on Europe, says study

A study published yesterday said more than 6m US jobs are supported by European investment, while American exports to Europe support another 1.5m US jobs. The study, published by the European-American Business Council whose membership comprises multinationals from the US and Europe, makes a higher estimate of the employment benefits of European trade and investment than the study it published a year ago.

Direct investment from the 15 countries of the European Union and the four of the European Free Trade Area rose from \$368bn in 1996 to \$425bn in 1997, it said. Of the more than 6m jobs, 3.1m were provided directly by European companies, with the rest provided by their local suppliers. European investment accounted for 62 per cent of all jobs created by international investors in the US. European investors pay on average 34 per cent higher wages than their US competitors, the study says.

Trade with Europe supports a further 1.5m jobs, compared with \$1.3m estimated in last year's report.
Stephen Fidler, Washington
(The United States & Europe: Jobs Investment and Trade; Fifth Edition. European-American Business Council, 1333 H Street NW, Suite 630, Washington DC 20005)

MEXICAN IMPORTS

Duties lifted on Chinese goods

Mexico has eliminated anti-dumping duties on 624 products imported from China as part of a broad accord reassessing bilateral trade between the two nations, Mexico's trade ministry said yesterday. But it said it maintains compensatory tariffs against 1,360 Chinese products in areas such as textiles, clothing, footware and toys to protect its domestic industry from potentially unfair trade.

The accord was reached between Herminio Blanco, the Mexican trade minister, and Zhang Xiang, China's deputy trade minister, who visited the Mexican capital. According to the trade ministry, the anti-dumping duties were lifted on goods that Mexico does not produce. It did not say what they were but the accord with China included revision of anti-dumping tariffs on imports of machinery, tools and organic chemical products. Mexico has been concerned about a flood of Chinese imports since it opened its borders to trade in the late 1980s.

Mexican exports to China have risen from \$9m in 1990 to \$46m in 1997, while imports from China have ballooned from \$30m in 1990 to \$1.25bn last year. This year Mexico has feared a rise in imports from the rest of Asia after widespread devaluations in the region.
Henry Tricks, Mexico City

CHILEAN MUSHROOMS

Washington imposes duties

The US Department of Commerce has imposed antidumping duties on preserved mushrooms from Chile. The action follows the US International Trade Commission's unanimous decision yesterday that preserved mushrooms imported from Chile are being sold at less than fair market value and hurting US industries. The investigation also concerned preserved mushroom imports from China, India, and Indonesia but final decision on these imports has been postponed. US imports of Chilean mushrooms exceeded 5.4m pounds in 1997, making up 2.8 per cent of the 196.2m pounds of mushrooms consumed by Americans annually. Mushroom imports from China, India, and Indonesia totalled 44.1 per cent of total domestic consumption in 1997. The ITC will deliver its final determinations in early January. **Shilpa Mohan, Washington**

WHEAT FUNGUS

US questions Chinese worries

The US Agriculture Department said yesterday it was keen to resolve a dispute with China over a plant disease which has been hampering US sales of wheat to China. Robert Riemenschneider, director of USDA's foreign grain and feed division, said the disagreement over the TCK fungus, which has been found in US wheat, was also an obstacle to China's joining the World Trade Organisation.

"A meaningful resolution of this problem is a priority for the US, one that we believe must be resolved before China's accession to the WTO," Mr Riemenschneider said. China has been reluctant to import US wheat because of TCK, but US officials have challenged the scientific arguments made by China, maintaining TCK does not pose a danger. To allay Chinese concerns, a team of US experts has visited China to present new evidence that TCK did not threaten China's wheat production.

Washington's goal of pushing for greater trade reform would also help Chinese livestock producers to compete more successfully in world markets with other meat-producing countries in Asia, he said. **Reuters, Beijing**

Canadian group in first use of Nafta clause

By Scott Morrison in Toronto

Loewen Group, the troubled Canadian funeral services company, has become the first corporation to invoke the Nafta investor state clause against the US government in an attempt to recover damages suffered as a result of a Mississippi court ruling.

Loewen alleges it was the victim of discrimination, denial of justice and uncompensated expropriation after a Mississippi jury in 1995 ordered the Canadian company to pay US\$500m in damages stemming from a breach of contract dispute. The plaintiff in the case, a Mississippi funeral home operator, had sought US\$28m in damages.

Loewen eventually settled its dispute for US\$175m. A company spokesman declined to specify the damages sought from the US government, but Loewen is believed to be seeking a settlement in the hundreds of millions of dollars.

The Nafta clause enables aggrieved foreign investors from Canada, the US and Mexico to launch actions against member governments, rather than wait for their own government to take up their case. Under the trade agreement provisions, federal governments could be found responsible for actions taken by state or provincial governments that do not meet minimum standards under international law.

At the heart of Loewen's claim is the Mississippi rule, under which parties seeking to defer execution of a judgment, pending appeal, must post a bond equal to 125 per cent of the value of the settlement. That meant that in order to appeal, Loewen was required to post a bond for US\$625m, which was roughly equal to the entire net worth of the company at the time. Given the situation, Loewen would contend it was forced to settle the suit under extreme duress, constituting a denial of justice under international standards.

The action, quietly filed October 30, is likely to be closely watched by other foreign companies involved in civil action in the US, where the value of jury settlements in civil suits has risen dramatically in recent years. A number of US states have a similar appeal bond requirement. Loewen would also argue that statements and exhibits made during the case were biased and inflammatory and resulted in a discriminatory outcome. And the company would submit that the US\$500m settlement, seen by many lawyers as extraordinary given damages sought by the plaintiffs, would amount to uncompensated expropriation.

Loewen's case, which would be heard by a Nafta arbitration panel, might take several years to be resolved if the company does not reach a settlement with the US government.

Sound of the digital jukebox is sweet music to the ears of new groups on the internet

The success of a small US site has big implications for the mainstream industry, writes Alice Rawsthorn

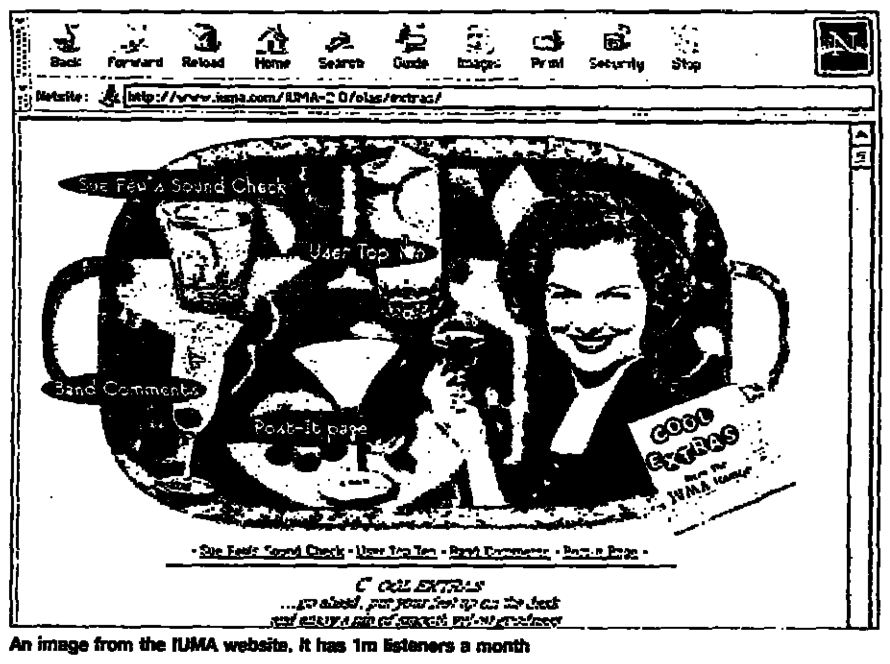
When Jeff Patterson, a computer science student in Santa Cruz, California, started posting songs by unrecorded bands on a website called the Internet Underground Music Archive (IUMA), all he wanted was to help people to hear new music.

Five years later, more than 1m people log on to IUMA each month to listen to music by about 2,500 acts. Dozens of bands featured on IUMA have since been signed by established record labels, including Sublime, one of whose albums sold 3.5m copies in the US. IUMA is now looking for up to \$6m in venture capital to set up similar operations in Japan and Europe.

By the commercial standards of the "big five" multinational groups which dominate the \$38bn global music market, IUMA is a small, somewhat obscure enterprise.

But as one of the highest-profile digital jukeboxes now pumping out music from the internet, its development has important long-term implications for the mainstream industry.

Like many internet companies, IUMA is partly motivated by commercial concerns, partly by philanthropy. Anyone who wants to post their music on the site, regardless of quality, can do so by paying an annual fee of \$240.



An image from the IUMA website. It has 1m listeners a month

Consumers can listen to the music online for free, or pay 99 US cents to download it on to an MPeg3 file on their computers. Some IUMA acts have paid to have a couple of hundred discs manufactured, and sell them by mail order from the site, with IUMA keeping 30 per cent of the proceeds.

So far, IUMA has grown steadily in terms of both the number of acts featured on the site, and music fans logging on to it. Its 11-strong team in Santa Cruz generally adds a few hundred new artists to the site each month, but still has a backlog of 500 acts waiting for their music to go on.

Since IUMA's debut, thousands of similar internet sites have surfaced in the US. Many are cyber pirates, breaching copyright law by posting up copies of albums and singles without consent of the artist or record company. Others are legitimate operations, like IUMA, which concentrate on non-copyrighted music by acts without recording contracts.

These legal digital jukeboxes fulfil a similar function to the tiny, independent labels that have long provided an alternative distribution vehicle to conventional record companies. It costs so much less to launch and run an internet site than an independent label, that the number of digital jukeboxes has risen rapidly.

They are also more accessible to the public, because it is quicker and easier for consumers to access music on their home computer than track down a recording in a record shop. They can also record and replay music downloaded from the internet on the growing number of CD recorders or portable MPeg3 players, costing as little as \$199.

For musicians, the proliferation of digital jukeboxes makes it significantly easier for them to record and distribute their music. Some see digital jukeboxes as a means of attracting the attention of conventional record companies. Artists posted on IUMA have clinched record deals with subsidiaries of Sony, Time Warner, Bertelsmann and Seagram, which owns MCA Records, Sublime's label

Yet a growing number of acts see the internet as an attractive alternative to signing with one of the "big five". This trend is likely to speed up, as internet usage increases and CD production prices continue to fall. Until recently, manufacturing costs were so high that most bands had to sign up if they wanted to distribute recordings of their music, but it now costs just \$1,000 to press 500 copies of an album.

At present, the mainstream music industry regards legitimate digital jukeboxes like IUMA, as fruitful hunting grounds for talent, while complaining about rising digital piracy. Most of the "big five" also have fairly advanced plans to distribute music on the internet, as soon as the necessary legal and technical controls are in place.

But over the long term, as the internet becomes increasingly popular as a vehicle for distributing and consuming music, the "big five" face the threat of losing control over a sizeable chunk of an increasingly fragmented music market.

They may not only find it harder to persuade new acts to sign record deals, but also to dissuade existing artists from opting out and distributing their music themselves.

Caribbean producers of bananas appalled by US

By Canute James in Kingston

Caught in the European Union-US banana trade war, Caribbean exporters accuse Washington of taking steps which threaten several of the region's already weak economies. Regional leaders say they are being unfairly penalised by the US, despite their years of co-operation on issues such as narcotics and money laundering.

The US has threatened to impose 100 per cent duties on a range of European products if Europe does not amend its banana import regime by January 1.

Supported by several Latin American producing countries, the US contends that the EU must do more to eliminate its licensing system for imports while maintaining an import quota on Latin American bananas and a duty-free access quota that benefits Caribbean and other traditional exporters.

Caribbean governments have rejected Latin American criticism that they are opposed to free trade and want to maintain an unfair advantage in the banana trade. The region says the economic importance of bananas to island economies demands special treatment, and that serious harm can be done to fragile economies by a sudden dismantling of the EU arrangement.

"It appears that the US has been determined for some time to damage the region's banana industry," said Edison James, prime minister of Dominica, one of the four islands in the Windward group whose economies depend heavily on bananas. "If the European Union capitulates, regional banana exporters will be the ones to suffer. The US is quite aware of the likely social, political and economic consequences. We are appalled by this action by the US."

The Caribbean producers at the centre of the trade storm account for 3 per cent of world banana exports and 20 per cent of European Union imports, according to the region's Exporters Association. But the fruit in the islands is more expensive to produce than it is in Latin America, and cannot compete in an open market. "Our bananas cost more to produce because farm workers in the Caribbean are paid decent, worthwhile wages, unlike the marginal pittance which is paid by large multinational companies in Latin America," said an official in St Lucia.

The Windward islands – Dominica, Grenada, St Lucia and St Vincent – depend on bananas for about 60 per cent of their export earnings.

EU promises to stick by WTO rules

The European Union said yesterday it was playing by the rules in its banana trade row with the US and urged Washington to resolve the dispute through the World Trade Organisation, **Reuters** reports from Brussels.

If Washington appealed to the WTO and won, the EU would change its banana policy again, said an EU spokesman.

A US official in Geneva said Washington was reviewing Ecuador's move to reconvene a WTO panel on the banana dispute.

UK-German job creation forum planned

By Robert Peston and David Wighton

Gordon Brown, chancellor of the exchequer, will today announce an Anglo-German working party on job creation and economic reform in the latest phase of a comprehensive diplomatic campaign to bolster the UK's European Union status. The initiative will be launched after his inaugural meeting with Oskar Lafontaine, Germany's new finance minister.

The Brown-Lafontaine talks – due to take place this afternoon in London – are regarded by senior UK officials as vital to the hopes of Tony Blair, the UK prime minister, of increasing UK influence in Europe.

"Given the handicap we have in being outside the euro, we need to work doubly hard on our personal relationships to keep us in the thick of the European debate," said one official. Mr Brown, however, is keen to dispel the view that he has returned to an old-fashioned tax-and-spend agenda in European Union negotiations in order to woo other socialist leaders.

Critics from both ends of the political spectrum in the UK have detected a change in the government's position since the Social Democrats' September election victory ended 16 years of right-wing rule in Germany.

Mr Brown's backing for a European socialist parties' policy paper on "Economic Reform in the Framework of Emu" is consistent with his UK economic policies, insisted one of his colleagues. The UK would continue to resist EU plans to harmonise taxation, said a senior official, and Mr Brown would press on with his campaign to liberalise employment, product and capital markets.

However, Mr Brown's support for the socialist document implies that he favours "co-ordinating savings and corporate taxation" to prevent individual EU member states gaining a competitive advantage through the tax system.

The UK chancellor will also share with Mr Lafontaine his concerns that the *new European Central Bank* is insufficiently transparent in its decision-making process and should be more explicit about its inflation target.

Yet government supporters insist that any change has been one of rhetoric rather than of substance.

Perhaps the most public display of the government's desire to be seen as part of the new left-of-centre consensus in Europe came at last month's informal EU summit in Austria.

EU leaders enthusiastically *endorsed Franco-German* plans for a co-ordinated push to stimulate growth, harmonise tax rates and set minimum social standards.

Mr Blair gave cautious backing to the focus on jobs and growth. Downing Street insisted there was no inconsistency with the previous tough line on public spending at home, or the stress on improving employability rather than directly boosting employment.

HOUSE OF LORDS BATTLE WITH GOVERNMENT FUELLED BY PLANS TO OVERHAUL CHAMBER'S VOTING POWERS

Aristocrats no democrats, say critics

By Deborah Hargreaves in London

Baroness Thatcher, who was prime minister from 1970 to 1990, is a life peeress, so her son will not inherit her title. Gerald Cavendish Grosvenor, sixth Duke of Westminster, succeeded to the title in 1979. His family is one of the biggest property owners in central London Press Association

The assault by the British government on the voting powers of hereditary peers has been thrust into the limelight by a dispute over changes to the voting system in the 1999 elections to the European Parliament.

Although the Labour government has a large majority of elected members of the House of Commons, the opposition Conservative party continues to dominate the House of Lords, the unelected upper chamber of the UK parliament.

It looks as if the House of Lords, which Labour intends to abolish in its present form, will thwart the government's attempt to change the voting system.

The upper house has several categories of member. There is a majority of hereditary peers, such as dukes and earls who acquire the right to vote on legislation through inheriting their titles. There is also a minority of life peers who receive their titles for life, often after long political service.

Labour's bill to introduce a "closed list" voting system for the European parliament elections next June has faced successive defeats in the Lords. The closed list would give voters the chance to select a party, but not a candidate. Candidates would instead be allocated by the respective party machines.

The rest of the European Union votes by closed list, with only Sweden and Finland offering voters a choice of candidate.

The Conservative party has used its majority in the upper house to obstruct the government's plans. Conservative peers have demanded an open list of candidates where voters can put a cross against a name.

The Lords and the House of Commons have each accused the other of undemocratic behaviour. The upper house usually adopts legislation proposed by the Commons. If a bill is defeated in the Lords, the government presents it again and the Lords usually pass it.

But the debate has become more charged by Labour's plans to abolish the voting rights of hereditary peers before reforming the upper chamber. This will not affect Queen Elizabeth and other members of the royal family, none of whom can hold political office or even vote.

The dispute is complicated by the reluctance of some of Labour's own members of parliament to accept closed lists. Several Labour life peers, including former ministers, voted against the government on Tuesday when the bill was voted down for the fourth time.

Tony Blair, the prime minister, called the vote "an affront to democracy". His government has threatened to withdraw the legislation if defeated again. That would mean going back to the traditional British first-past-the-post system, in which an election is won by the candidate with the largest number of votes even if that is a minority of votes cast.

Jack Straw, the home secretary, said the Lords' action represented a direct challenge to the democratic authority of the elected House of Commons.

"The issue is no longer about the best electoral system for the European Parliament," Mr Straw said. "It's about the right of unelected hereditary peers – accountable to no-one but the Tory [Conservative] party – to frustrate the government's programme."

Conservatives want to introduce proportional representation to the European elections, but say an open list gives the voter the power to make an individual choice rather than leaving the selection of candidates to party machines.

Critics of the government say its insistence on a closed list is another example of its "control freak" centralising tendencies. The government counters that an open list would confuse voters.

Proponents of Britain's current voting system argue that the election of candidates for a particular constituency by first-past-the-post ensures that representatives have local ties. This breeds loyalty to voters and local issues, they argue.

Viscount Cranborne, Conservative leader in the House of Lords, linked the dispute to the forthcoming battle over the House of Lords. He accused Mr Blair of seeking to create a wholly nominated second chamber: "something that would be the biggest closed list of all".

Treasury minister faces new calls to resign

By David Wighton, Political Correspondent

Geoffrey Robinson, the paymaster general [a Treasury minister], yesterday faced renewed calls for his resignation after being forced to apologise to the *House of Commons* over his failure to register directorships.

The opposition Conservative party attacked Tony Blair, the prime minister, for not telling Mr Robinson to stand down after he was criticised by the Commons standards and privileges committee. But Mr Blair said the errors happened before Mr Robinson became a minister and the prime minister's office made clear Mr Blair wanted him to stay.

The committee said Mr Robinson should have registered his shareholding in Stenbell, a company which acquired his rights to £3m ($5m) of shares in TransTec in a rights issue in 1996. The shares were then sold to Orion Trust, the controversial offshore trust of which Mr Robinson was a discretionary beneficiary.

Mr Robinson said he had not thought of Stenbell as a trading company and so registrable. But the committee said the share purchase was "a significant transaction". The committee had previously found Mr Robinson guilty of two other failures to register and said that the "cumulative effect of the shortcomings" warranted an apology to the Commons.

In a very brief statement, Mr Robinson apologised to *MPs for the "oversight"* adding: "No attempt was made by me at any time to use my position in this House to advance any commercial interest."

Mr Robinson was flanked by Gordon Brown, the chancellor of the exchequer, who has strongly supported him over the allegations. Mr Blair was known to be concerned about the controversy but was persuaded by Mr Brown not to move Mr Robinson in the July reshuffle of ministers.

Malcolm Bruce, Treasury spokesman for the opposition Liberal Democrat party, said that Mr Robinson's credibility had been seriously undermined and he should consider resignation. The larger Conservative party pointed out that Robert Wareing, an MP in the governing Labour party, had been suspended from the Commons for a week for a similar offence. But that punishment was last week described as "relatively severe" by Sir Gordon Downey, the parliamentary commissioner for standards.

Paris court frees ex-MI5 officer

By Andrew Parker, Political Correspondent

The UK government faced embarrassment last night after a French court rejected its request for the extradition of David Shayler, a former officer in the MI5 security service.

Mr Shayler, who was arrested in Paris in August, faces two charges relating to breaches of the UK's 1989 Official Secrets Act. Jack Straw, home secretary, has said a series of allegations made by Mr Shayler in UK newspapers about the intelligence agencies have damaged national security.

Elisabeth Ponroy, the presiding judge in Paris, rejected the request for Mr Shayler's extradition but gave no reasons. The Home Office, which has not seen the judgment, said no decision had yet been taken on whether to appeal.

Mr Shayler has made allegations that MI5 held files on serving cabinet ministers, including Mr Straw and Peter Mandelson, chief industry minister, because they were once considered potential subversives. He has also claimed MI6 tried to kill Colonel Muammer Gadaffi, the Libyan leader.

John Wadham, Mr Shayler's lawyer, said: "This is a victory for freedom of speech. The French court recognised this was always a politically motivated attempt by the [UK] government to silence one of its critics."

Maurice Frankel, director of the UK Campaign for Freedom of Information, called for a review of the Official Secrets Act, which offers no public interest defence to those accused of breaching it. He added: "It must be very embarrassing for the government."

The Crown Prosecution Service said the file on Mr Shayler would remain open. If he returned to the UK he would face arrest.

Brunei prince wins lawsuit against KPMG

By Jim Kelly, Accountancy Correspondent

Prince Jefri of Brunei, the disaffected younger brother of the Sultan, yesterday won his battle to stop KPMG, his former personal accountants, working for the Brunei Investment Agency in its investigation of the sultanate's troubled finances.

Five Law Lords – senior judges sitting in the House of Lords – voted unanimously to grant the injunction but reserved the reasons for their verdict to a later date while awarding costs – expected to be about £500,000 ($840,000) – against KPMG.

The ruling is a blow to KPMG after months of legal argument in the High Court and Court of Appeal and opens the way for the Law Lords to give guidance on the effectiveness of so-called "Chinese walls" in protecting client information.

"Their judgment could go much wider than the accountancy profession and include all those professionals who have to safeguard information – including lawyers, banks and finance houses," said one senior lawyer following the case.

The long-running action was brought by Prince Jefri who said he feared confidential information gathered by KPMG when they acted for him in the past might inadvertently be leaked to the Brunei authorities who had targeted him in their investigations into missing funds.

The case hinged on the effectiveness of Chinese walls within firms to guard sensitive information and on whether forensic accountants – who carry out investigations ahead of legal actions – owed the same wide-ranging duties to their clients as solicitors.

The "Big Five" accountancy firms and others have been watching the case closely because their expanding global practices depend on the use of Chinese walls – a device also increasingly used by financial institutions such as investment banks.

The lower courts had heard how KPMG had sought to ring-fence data on Prince Jefri's personal financial affairs. Prince Jefri argued that they had not acted soon enough and had refused to tell him if they were working for the BIA.

Lawyers believe that the Law Lords may take the opportunity of their considered verdict to lay out the law on some or all of these issues. There have been several indications that senior lawyers are unhappy with present legislation.

KPMG said it had "maintained client confidentiality and that no evidence had ever been produced to suggest that KPMG had breached any client confidentiality".

KPMG will continue to act as auditors to the BIA.

NEWS DIGEST

EMPLOYMENT LEGISLATION

Trade union chiefs warn Blair over worker rights

The Trades Union Congress warned the government yesterday not to surrender to "vested interest lobbying by Britain's bad employers" over proposed changes to its forthcoming legislation on worker rights and recognition of trade unions in workplaces.

The TUC executive protested after meeting Tony Blair, the prime minister, and Peter Mandelson, the chief industry minister. Mr Blair made clear he was impressed by employers' arguments to water down the government's proposals on union recognition.

"Any such moves would cause widespread consternation", said John Monks, TUC general secretary. "Good employers tell me they have nothing to fear from the fairness at work white [policy] paper as it stands. Further concessions would destroy any government claim their approach is based on balance."

Mr Monks pointed out that employers had already secured from the government "an unfair and arbitrary ballot threshold" which will require unions securing 40 per cent support from those eligible to vote in an agreed bargaining unit. In addition, small companies covering a quarter of the workforce will also not be covered by the planned recognition proposals. **Robert Taylor, London**

CONSUMER SPENDING

More evidence of slowdown

Heavy discounting by retailers has failed to draw consumers back to the shops. Official data published yesterday show discretionary spending has dropped sharply, dragging down retail sales 0.4 per cent in October. The second consecutive monthly fall in retail volumes offered hard evidence that an underlying slowdown in consumer spending was under way, said the Office for National Statistics.

The figures triggered speculation yesterday that further interest rate cuts could be needed to head off a damaging economic slowdown. **Christopher Adams, London**

BSE INQUIRY

Agriculture ministry attacked

Edwina Currie, a former health minister, has attacked the agriculture ministry for being "crass, incompetent, hostile, dangerous" in handling food safety matters such as the "mad cow" crisis. Mrs Currie resigned from Margaret Thatcher's government in 1988 amid fury from farmers after she had said "most" eggs were infected with salmonella. In written evidence to the BSE Inquiry, Mrs Currie said the ministry "had long set itself up as the trade union for producers" and lacked respect for the public health interest.

Mrs Currie, who is scheduled to appear before the inquiry on Monday, spoke about her evidence yesterday and accused the ministry of underestimating the incidence of BSE. **Gautam Malkani, London**

CUT-PRICE AIRLINE

New routes to be opened

EasyJet, the independent cut-price airline, is opening four new direct routes from Liverpool in north-west England. Its new daily scheduled services to Geneva, Barcelona, Malaga and Belfast in Northern Ireland will start in January. Two of EasyJet's new Boeing 737s will be based in Liverpool, which is to be upgraded to an EasyJet base, rather than a destination. The company, which also operates out of Luton, to the north of London, said a further two 737 aircraft would join the Liverpool fleet next year, adding further destinations. **Sheila Jones, Manchester**

ROYAL RECOGNITION FOR CITY

Euro questions at Merrill Lynch

Queen Elizabeth and her husband Prince Philip spent yesterday visiting institutions including the Bank of England – the UK central bank – the Stock Exchange and the trading floor at Merrill Lynch, the US investment bank. Aides said her intention was to recognise the City's role as a big earner and employer in the UK and as one of the world's largest financial centres. She asked John Key, head of foreign exchange at Merrill, about the effect of the euro on British businesses. "She was certainly very knowledgeable and asked about investor concerns at the moment and obviously understood that the euro would make an impact," Mr Key said. Earlier yesterday, the Queen had opened the headquarters of the new Financial Services Authority at Canary Wharf in London's Docklands.

She and the duke had lunch at the headquarters of the Financial Times: she is seen here signing the visitors' book. Last night, the Queen and prince held a reception at Buckingham Palace for representatives of City institutions.

Patten denies proposal to disband N Ireland police

By John Murray Brown in Dublin

Chris Patten, chairman of the independent commission on police reform in Northern Ireland, yesterday strongly denied reports that a preliminary draft of his recommendations envisaged disbanding the Royal Ulster Constabulary, the region's police force.

A report in yesterday's Irish Times newspaper claimed the Patten commission would recommend the RUC be disbanded, with serving officers invited to reapply to join a newly constituted police force.

Those choosing not to join would be entitled to generous severance payments. The newspaper said the force would be unarmed, and be organised with links to municipal authorities.

Mo Mowlam, chief Northern Ireland minister in the UK government, attacked the report as "irresponsible". It was also scorned by Mr Patten, a former Conservative minister who later became the last colonial governor of Hong Kong.

But David Trimble, first minister in Northern Ireland's new administration, called a meeting with Mr Patten. "All sorts of different ideas are in existence," Mr Trimble said. "We know that those who do not have the well-being of the people of Northern Ireland in mind are putting forward all sorts of different and crazy proposals."

But he added: "We remain concerned because speculation does not appear out of nowhere."

Mr Patten is not due to report to the government until next summer. The commission is conducting public meetings to hear local views on the changes needed to make the police more widely acceptable.

The Northern Ireland police federation raised fears earlier this week that abolition of the RUC was part of a trade-off to secure "decommissioning" of weapons by the Irish Republican Army. Ms Mowlam strongly rejecting the suggestions.

Mr Patten said the commission had not yet started forming its conclusions. "And we won't be in that position for several months and certainly not before we have heard from everybody."

Ex-paramilitaries struggle to live with offender tag

Prisoners released early under the peace agreement find it hard to adjust to a new existence, **John Murray Brown** reports

When Jimmy, a former "loyalist" paramilitary, applied for a job after his recent release from the Maze prison in Northern Ireland, his prospective employer was a little puzzled by a large gap in his resumé.

He should have made clear he had been in jail. But like other former paramilitary prisoners, he is trying to put those missing years behind him.

The 200 republican and anti-republican "loyalist" inmates already freed under the April peace agreement may be welcomed as heroes in their own neighbourhoods. But when paramilitary groups are still refusing to take their guns out of commission, the sight of ex-prisoners walking free disgusts many people.

While the public still has deep misgivings about the early release scheme, the UK government is clearly reluctant to be seen as helping prisoners re-integrate themselves and start a new life. There is no special government money for the task. The only funds going towards these groups is European Union aid under the peace and reconciliation programme.

Apart from that, prisoners receive the equivalent of a week's benefit in advance on release – the so-called discharge grant – of about £50 ($84). Those without homes receive a further £51.

Brian Currin, the South African human rights lawyer, who has been appointed to head the Northern Ireland sentence review commission, believes too little has been done to anticipate the problems of re-integrating prisoners.

"In South Africa there was an assumption that political change would result in social change; that they would get the jobs they wanted. Here the attitude of society to prisoners is much more negative. They are still seen by most people as either terrorists or thugs." Prisoners in Northern Ireland feel the government has acknowledged their special status by agreeing to early release. But once outside they find little has changed.

The self-help ethos runs deep, particularly among republicans. Many taxis in west Belfast are run by former inmates, though it is notoriously difficult for ex-prisoners to secure a licence to carry passengers. Obtaining a truck driver's licence is nearly impossible, prisoners complain.

One of the problems is that by working exclusively with their own welfare groups – usually linked to the paramilitary organisations – they have shunned the counselling and other services that could be provided by statutory bodies such as the Northern Ireland Association for the Care and Resettlement of Offenders. "It's the offender tag in our name that puts them off," says a Niacro official.

Caral Ni Chuilin, who runs a republican prisoners' centre, says: "To work with these organisations would be criminalisation by the back door."

Ken Clelland is an east Belfast businessman who is trying to ease the former inmates back into normal life, working with the prisoner organisations to find suitable jobs. Some 100 businesses have said they would employ ex-prisoners on their merits.

Under security vetting rules, former paramilitaries are barred from taking jobs in the state sector – which accounts for 30 per cent of employment in Northern Ireland. Contractors reliant on public tenders are also wary of taking on former prisoners.

In addition there is a list of professions – including the law and teaching – that have to disclose information on employees' criminal convictions. Michael Ritchie, who co-ordinates the republican prisoner groups, says: "There needs to be a prohibition on discrimination on jobs, in effect an amnesty."

صكنا من الاصل

Trade union chiefs warn
Blair over worker rights

MANAGEMENT VIEWPOINT SUMANTRA GHOSHAL AND SIMON CAULKIN

Escape from ruthlessness

The hard-driving, dictatorial corporate chief is in fashion – but other options allow a more humane and reasonable style of leadership

At a recent conference on corporate transformation, a well-known management consultant and author startled his audience by naming a top US industrialist as both the best CEO the company had ever had – and an "asshole".

He was recalling a debate among a group of young managers around a conference table at that company's management training centre. The statement was meant as a compliment – not that the CEO was personally highly unpleasant, but that he knew how to take tough decisions for the good of the company.

However, it provoked a passionate and unexpected response which, in coffee breaks and over meals, became a mirror to the conference's official theme: can only such people bring modern corporations up to speed? Does transformation of ossified organisations and entrenched cultures require a degree of ruthlessness that lies beyond the reach of decent people?

If so, is the only role for reasonable men and women in management – especially change management – to step aside and offer themselves up as self-sacrifice? Is there an alternative?

As participants delved into these themes, it became clear that the conference itself was a rich microcosm of the dynamics at play. Some of the world's most respected companies attending the event were change consultants and business academics, all earnestly debating how to bring about change and manage it better, for the benefit of – what? Suppose that, with the best will in the world, in our search for greater efficiency, speed and thoroughness, we were all part of an infernal cycle, a profoundly coercive system in which managers, change agents and academics were all collaborating to make both work and leadership – although materially rewarding – a crippling and inhuman experience?

There is no novelty in recognising the dangers of unprincipled leadership. We learnt of those dangers quite well during two world wars.

As a result, we learnt to cherish leadership, with a small "l". Embarrassed by the scandal of its former chief executive Sir Henri Deterding, a leader who developed the wrong sympathies in the last war, Shell created a governance system in which no individual could exercise exclusive power. Continental European companies devised complex systems of checks and balances, as did companies in Japan, and even North America.

What is new is that we are once again falling in love with Leadership, with a capital "L". At least in the corporate sector, we see it rising everywhere, not only in the form of Jack Welch (GE) or Andy Grove (Intel), but also in the form of Percy Barnevik (Investor, and formerly ABB), Ferdinand Piëch (Volkswagen), Dhirubhai Ambani (Reliance) and Lee Kun Hee (Samsung).

Similarly, the dehumanisation of work is not a new complaint. What is new is the enormous pressure being created within companies, propelled by a powerful dynamic of competition and reward among investing institutions and corporate managers.

This pressure has placed an unprecedented premium on executives who are "unreasonable": people ambitious and determined enough to go to extraordinary lengths to fulfil their mission to capital markets. They put it above everything else. That is what boards seek in their CEOs and, in turn, what CEOs seek of their subordinates.

Such people are individually celebrated in the business press. Collectively, their traits are bundled into the composite of today's ideal business leader: hard-driving, decisive, ruthless, heroic, independent, male.

Such managers are hugely influential as role models and recruiters in their own image. Yet they do not exist in isolation.

Management today suffers from a profound moral and philosophical vacuum

Lower down the organisation, ambitious fast-trackers remain willing to collude in their own dehumanisation, in return for the promise that they too will get a turn at the helm. Academics and consultants devise new justifications for unreasonableness and arguments to keep the treadmill moving faster.

The press, too, plays a part. By identifying companies with their leaders, oversimplifying the determinants of success and hero-worshipping strong, top-down "Leaders", they not only celebrate this model of management, but they simultaneously delegitimise those who are unwilling or unable to play by its rules.

Is there an alternative, or are we destined to live in a corporate world that will soon be led not by Mr Welch, the man, but by Mr Welch, the image, personified in men like "Chainsaw Al" Dunlap?

One can go back to Plato to look for answers. One alternative is to find ways to develop philosopher kings who will exercise absolute power with wisdom, compassion and restraint. The other option is to redesign the system, to bring in more checks and balances to moderate the risk of human frailties.

The first option requires a fundamental redesign of leadership development processes in companies and business schools. Large corporations are not only one of the most powerful institutions of modern society, they are also among its most precious assets. Versatile and creative, they are capable of amplifying human effort across national and cultural boundaries. They create and distribute most of society's wealth, innovate, trade, generate choice and raise living standards. They are the custodians of society's resources, and serve as the principal engine of progress. It is important for senior managers to frame their own roles within an understanding of the role of the institutions they lead.

Management today suffers from a profound moral and philosophical vacuum. There is a need to reinstate both as integral parts of management development processes. It may not lead to philosopher kings, but it would at least help each potential leader confront the choices that he or she must make, and the implications of those choices.

The second option is more pragmatic and more complex. We have created a system in which the desires of one constituency – the institutional investor – are hardwired to management behaviours, through a direct connection maintained by the board.

Simultaneously, we have also shaped a normative order in which there are no upper limits to return on capital. There are clear upper limits on returns to labour – epitomised in the naming and shaming of "fat cats" in boardrooms – defined largely in social and moral terms. Yet, for capital, there is neither any friction on flow, nor any limit on expectations of return.

We have to confront the questions: is there any boundary to this normative order, this theory of investor capitalism? Should these boundaries be reflected in legislation, in the structure of corporate governance, and in the formal responsibilities of the board?

There is no inevitability about the asshole model of management. We do have a choice. But it would be dangerous to deny its power, or the impetus of the dynamic that perpetuates it.

"Reasonable" people – managers, consultants, academics, et al – must work as hard as their driven counterparts to articulate the necessary alternatives.

Sumantra Ghoshal holds the Robert P. Bauman Chair in Strategic Leadership at the London Business School. Simon Caulkin is a journalist and management writer

TECHNOLOGY WORTH WATCHING

New technique 'improves detection of malignant cells'

When Lev Goltsman emigrated from Russia to Israel in 1991, he took with him several skills, as pathologist, natural scientist and acupuncturist, *writes Judy Dempsey*.

After working in an Israeli hospital, he was persuaded by Dan Gelvan, a business economist, to join CellStain, a small government-subsidised company working on detecting malignant cells in the most reliable and efficient way.

The conventional way to do this involves placing cells on a slide. A histo-chemical process is used to stain the cells, highlighting their structure. They are then inspected by conventional light microscope to see which are malignant.

To improve the precision of this method, Dr Goltsman started using plant extracts. By combining proprietary histo-chemical techniques, biological stains and plant extracts, CellStain found it could differentiate between normal and malignant cells in a relatively fast 15 minutes. Normal cells were stained green; malignant ones red.

CellStain believes malignant cells can be distinguished more easily by this method, and decided to use it for detecting cervical cancer. The most common test for cervical cancer is the Pap smear which aims to discover the prevalence of precancerous cells by means of screening.

Mr Gelvan believes his CellStain method could increase the detection of pre-malignancies and malignancies on alcohol-fixed cervical smears. Moreover, labour-intensive manual screening could be replaced by a computer-integrated image-analyst system capable of screening Pap smears.

He says the computerised system could determine the adequacy of the smear – indicating, for example, whether enough cells had been scraped for examination or whether the slide was clean. It could also indicate whether further screening was necessary. The new device would indicate the areas on the slide where positive cells had been detected.

Although in very early stages – clinical trials are due to start in the next 18 months – CellStain has conducted a blind pilot study for cervical cancer with an Israeli hospital.

Out of 83 women, it detected six cases of suspected premalignancy which had not been detected by the conventional technique.

CellStain Technologies, Israel; fax 97289408085; e-mail cellstai@netvision.net.il

Sinking marks without trace

A process that eliminates the "sink marks" often associated with injection-moulded products could soon be used to mass-produce panels for the motor industry, its developers believe.

Two British consulting engineers who have licensed their technology to Battenfeld, the German manufacturer of injection-moulding machinery, say that whole sides of cars and complete doors could be made by the process, *writes Tom Linton*.

Don Griffiths and Roger De'Ath, of Devon-based Kontor Moulding Systems, believe it will enable exterior vehicle components to be produced to a high-quality finish in any colour. The technology could also be useful to other industries mass-producing items made from reinforced and flame-retardant plastics.

In conventionally moulded thermoplastic products unsightly "sink marks" often appear along the line of reinforcing ribs and webs as the material cools in the mould. Where aesthetic factors have to be considered, this has restricted the size of items requiring ribbing for strength.

To counteract shrinkage, Kontor's technology applies nitrogen under pressure to one side of an injection moulding while the material is cooling. The tool's inside surface is modified to allow an even distribution of gas across the moulding and to give an effective gas seal.

The process, known as Airmould Contour, is being evaluated by the cosmetics industry. Developed in conjunction with the Polymer Centre at Exeter University, it is also said to be faster than conventional moulding.

Don Griffiths, Kontor: tel UK 1803 521009; fax 1803 552663

Garlic's secret

Garlic's medicinal qualities have long been known. Now nutrition researchers at Penn State university in the US have thrown light on some of the herb's mysteries, *writes Andrew Baxter*.

Yu-Yan Yeh, professor of nutrition, and Lijuan Liu, a doctoral candidate, have identified a group of chemicals in garlic that reduces by 40 per cent to 60 per cent the production of cholesterol by rat liver cells in laboratory tests. The three water-soluble, sulphur-containing chemicals are S-allyl cysteine, S-ethyl cysteine and S-propyl cysteine.

Separately, Kun Song, doctoral candidate, and John Milner, professor and head of the nutrition department, have shown that microwave heating or roasting garlic can diminish or destroy its anticancer properties, unless the herb is chopped or crushed and allowed to stand for at least 10 minutes before cooking, activating an enzyme crucial to the production of compounds which possess anticancer properties.

Cloves cure: garlic may help fight cancer and reduce cholesterol

Penn State: Dr Yeh, e-mail yyy1@psu.edu; Dr Milner, jam14@psu.edu

هكذا من الاصل

هكذا من الاصل

CINEMA

Under the spell of eels and guns

Nigel Andrews finds a Japanese fable and Golden Palm winner full of good ideas

What's in a Golden Palm? *The Eel*'s reward for winning the 1997 Cannes Film Festival has been to take 1½ years to slither arthritically into Britain, with the risk that we may have forgotten why we liked it so much at the time. This is a bizarre Japanese fable. Man goes to jail for the violent murder of his unfaithful wife; man emerges eight years later to become a village barber, fall in love with a waif and dote even more on the pet eel kept in a living-room tank.

My theory is that *The Eel* was funny, not always intentionally, and laughter at a film festival is like lemonade in the desert. Another theory: the only people who win the Golden Palm twice, as director Shohei Imamura has done, are those who were lucky to win it once. Compare Emir *Underground* Kusturica and Bille August of *Best Intentions* and now (see below) *Les Miserables*.

Imamura was first fronded at Cannes for the weird *Ballad of Narayama* (1983), in which death-obsessed peasants clambered mountains to mystic oblivion. This director has a plain, gnomic, almost staccato style. Each scene seems a *tableau vivant* barely related to others. And his characters dwelling on the social fringes – prostitutes, criminals, the poor or persecuted – make few bids to add loveability to roguishness, or glamour of soul to frugality of facade.

Yet *The Eel* does cast a spell, mainly because Imamura is intrigued by the unaccountability of the *idée fixe*. Number one *idée* belongs to the eel-enamoured hero (Koji Yakusho), whose passion may have symbolic value for us in twinning a resilient outcast reptile with its likewise owner but whose psychological underpinning for *him* remains intriguingly elusive. Other *idées* are those of the local madman who marks out a landing space in a

THE EEL
Shohei Imamura

ROUNDERS
John Dahl

RONIN
John Frankenheimer

ANGEL SHARKS
Manuel Pradas

DEAD MAN'S CURVE
Dan Rosen

LES MISERABLES
Bille August

cornfield for extraterrestrials and the girlfriend's mother who cannot stop dancing.

The film's love of madness even infects its style and syntax. There are little wingdings like the insert-shot of a bullfrog burping or the hero's split-second nightmares and eel dreams. *The Eel* does not exactly "add up" as a film, let alone a fully audited life story. But then – Imamura's point – neither does human behaviour. We are all animals led by desire, impulse, serendipity and wistful appetite, even though we may pretend to be much more.

*

"If you can't spot the sucker in your first half-hour at the table, then you are the sucker," overvoices Matt Damon in *Rounders*. Card-playing has made fine movies, but this latest from *The Last Seduction* director John Dahl is not one of them. Despite its carefully carpentered maxims or perhaps because of them – "We can't run from who we are, our destiny chooses us," pontificates Martin Landau as Damon's law professor – the movie seems inert, sententious, bromidic.

We are asked to care whether Damon continues his studies, with exams approaching, or neglects them for felonious card-sharping. Since we have seen Damon in lawyerly action in *The Rainmaker*, we would rather he card-sharped. Many more goody-two-shoes roles like that and much of this and the heart-throb hailed for *Good Will Hunting* will beat the Hugh Grant record for fastest ever burnout.

The movie is stolen by Edward Norton as Damon's jail-released chum and tempter. Norton has no good looks to showcase, so he gives us a nervy, grungy, hyperkinetic Mephistopheles. With that seedy-schoolboy face constantly warped by malice or mischief, Norton seems ahead of everyone's game. Only when he or John Malkovich's Russian poker supremo is on screen does *Rounders* behave as if its director and writers (David Levien, Brian Koppelman) wanted to deliver a movie rather than a moral tract.

Action overdrive: Jean Reno in 'Ronin', where cars screech, guns tattoo and bodies thump

Goodness knows what John Frankenheimer and writers J.D. Zeik and Richard Weisz (*aka* David Mamet) wanted to deliver with *Ronin*. But honesty compels me to say that I enjoyed every minute – almost – of a film that mature assessment would denominate as tripe. A gang of crooks led by Jean Reno and Robert De Niro are undone by internal betrayal (who might it be?) after a high-stakes robbery.

We start in an unconvincing nocturnal Paris, where the shade of Inspector Clouseau seems close. Matters become no more plausible by day as De Niro busks his De Niro-ish stuff and an "international cast" of Sean Bean, Stellan Skarsgard and Natasha McElhone gather round the heist-plan drawing board. But once the film moves into action overdrive, everything becomes brighter and busier if not actually better.

Frankenheimer makes cars screech, guns tattoo and bodies thump, and there is a terrific scene with De Niro supervising a bullet's removal from his own body. (At the end he gasps, "If you don't mind, I'm gonna pass out"). In this second half, we are only briefly detained by a pause for pretension, when cameo-player Michel Lonsdale expounds the Japanese history of the Ronin warrior code. Thank you. Title explained. Now let us get back to the bang-bang.

The French film *Angel Sharks (Marie Baie Des Anges)* has a wonderful insouciance of structure. Its portrait of errant teenagers living for sex, crime and casual self-discovery on the Cote d'Azur might have been edited by a group of Dadaists wearing blindfolds.

We clutch at meanings and connections. Who is the boy (Frédéric Malgras) robbing the ritzy villa? Why does he shoot his friend in a prologue that might be a flash-forward? Does he know the girl (Vahina Giocante) who is sullenly tarting with a group of American sailors? And how does all this relate to the "Angel Rocks" shaped like shark fins out in the bay: a mythic bay named after the Nice one but clearly pieced together from shots of France and Italy?

When not infuriating, though, the film is magical. Christophe Pollock's wide-screen photography creates an Arcadia, where blue seas caress jungle-like hinterlands and in which director Manuel Pradas moves his cast about like animals searching for prey. A little more lucidity of plot might have helped. Then again, a little more lucidity might have wrecked it all.

A critic knows he did not survive a film fully conscious when he cannot read his own notes, scrawled through a Lethean haze. Dan Rosen's *Dead Man's Curve* is a *déjà*-everything black comedy – *vu, entendu, senti* – about murder-plotting students. Rosen scripted the acutely similar *The Last Supper*, star Matthew Lillard was in the painfully comparable *Scream* (twisty, post-modern) and the lighthouse on the cliff is out of *The Fog* by *Final Analysis*. Rosen should get a life rather than seeing old movies or cannibalising his own.

Finally, Bille August's *Les Misérables*, yet another movie (latest count, 15) of the Victor Hugo warhorse. Like several reviewers I arrived late for the half-hour-early press show thanks to distributors failing to distribute alerts. We found Liam Neeson's Valjean already operating as Mayor of Vigau, already emoting over Uma Thurman's dying waif and already crossing verbal swords with Geoffrey Rush's sinister Javert. All goes to plan after that – escapes, showdowns, Paris uprising – in a film as predictable as Christmas.

Great expectations between friends

MUSIC

ANDREW CLARK

Vienna Philharmonic/Jansons
Royal Festival Hall
Itzhak Perlman
Barbican Hall

Much missed in London these past three years, Mariss Jansons returned on Tuesday to the Festival Hall – not with the London or Oslo Philharmonics, the two orchestras with which British audiences associate him, but with the Vienna Philharmonic. It was a relief to find him conducting with an energy and sparkle that belied his recent history of heart trouble.

The prospect of Jansons making music with an orchestra of such distinctive sound drew a full house. But despite a second encore of the Johann Strauss polka *Unter Donner und Blitz*, which had enough fizz to earn Jansons an invitation to Vienna at New Year, the evening was not an unmitigated success. The conductor-orchestra relationship had the appearance of mutual respect, but neither brought out the best in each other.

With a programme of Weber's *Oberon* overture, Richard Strauss's *Also sprach Zarathustra* and Dvořák's Eighth Symphony, Jansons' sympathies with the central European repertoire were much in evidence. The Weber and Dvořák were firmly sculpted and sensitively moulded, the woodwinds and individual string sections seizing every chance to show off their plush velvet colours.

That in itself afforded much pleasure, impressing the listener afresh with the continuity of Viennese tradition; but both performances found Jansons plundering the music for contrasts of tempo and dynamic which, given the orchestra's sometimes sluggish responses, were not always illuminating.

The opening Allegro of *Oberon* suffered most. The rapier thrust of a baton might have yielded cleaner articulation in such a large complement of violins; but the new, baton-less Jansons had to rely on an implicit understanding with his musicians, and at this hectic speed, it was not enough.

Again, in the first and last movements of the Dvořák symphony, the sheer gusto of Jansons' approach was compromised by his reluc-

The relationship had the appearance of mutual respect

tance to draw out the natural lineaments and allow air into the textures. Only in the waltz-like lilt of the third movement was there an effective marriage between Viennese charm and Bohemian musicianship.

Modified rapture, too, in *Zarathustra*. The famous sunrise was ideally crisp, weighty, propulsive; crescendos and decrescendos were grasped in a way that achieved maximum purchase on the music's majesty; even in the murky depths of muted trombones, the playing had unrivalled luxuriance. The complete Strauss performance? Not quite. One missed the golden line binding each incident into a coherent architectural whole. With a younger, more athletic orchestra, Jansons might have got away with it. What this concert suggested was that he and the Viennese are temperamentally out of tune.

Itzhak Perlman's Barbican recital the previous evening had the same air of unfulfilled promise. It was a curious programme, embracing one of Mozart's most self-effacing sonatas (K306) and Schnittke's *faux-naif* Suite in the Old Style. Until his encores, there was no sign of the wizardry on which Perlman's reputation is based. Instead, we witnessed a great violinist taking simple pleasure in his music, undeterred by Bruno Canino's obscure accompaniments. The classical foundation of Strauss' early Sonata benefited most from Perlman's cantabile sweetness, and there was a whiff of the Jewish fiddle tradition in his glistening treatment of Smetana's *From the Homeland*. Not even that, however, could lift the subdued temperature of the evening.

BELFAST FESTIVAL FRINGE

An umbrella for exhibitionists

For some years now, one of the Belfast Festival's attractions has been that it includes a number of "fringey" events; this year, however, sees the birth of an official Belfast Festival Fringe. It is bigger than its elder sister, even if in some cases it serves merely as a convenient umbrella: country superstar Garth Brooks' five sell-out nights in the province's biggest concert venue – a fringe event?

Some of the fare on offer is attractively cheeky. The Ridiculusmus company's *The Exhibitionists*, for example (which I saw in August in an Edinburgh Fringe theatre), is an appealingly bonkers hour spent in the company of two art gallery guards desperately trying to keep themselves amused. Its Belfast revival takes place in the perfect setting of an exhibition by Yoko Ono.

The official festival, however, retains its element of small-scale, *recherché* works, usually in the Old Museum Arts Centre. That venue hosted Andrew Dawson and Jos Houben's *Quatre Mains* prior to its Christmas stint at the Lyric Hammersmith in London. I adored this piece on first viewing in January, and I adore it still: a table-top mime presentation in which the action is performed by the practitioners' hands alone.

Some sequences are abstract, some representative – I think I spotted a miniature *film noir*, a 1950s giant-insect movie and an entire global evolutionary process in there somewhere. *Quatre Mains* is not quite dance (as it has been reviewed elsewhere), nor is it quite theatre; it is, though, quite delightful.

So, in its grim way, is the Gare St Lazare Players' stage adaptation of Samuel Beckett's *Molloy*, heretofore fêted on the 1997 Edinburgh Fringe. Conor Lovett's delivery is out of the Beckettian theatrical mainstream, being diffident, dismissive and distracted – reminiscent, in fact, of comedian Ardal O'Hanlon in more reflective mood. Lovett gets up from the audience, murmurs apologetically for an hour, stops and walks off … very engaging.

Before the Belfast visit of Robert Wilson and Philip Glass' digital opera *Monsters of Grace*, the festival devoted last weekend to the unfathomable Wilson. *Bob*, performed by Will Bond in a more madcap characterisation than strict impersonation might permit, was an assemblage of remarks culled from three decades of interviews with, and features on, the director himself.

Many of the most interesting extracts undiplomatically anticipated Wilson's own lecture on Sunday evening, speaking of everything from his work with deaf and autistic collaborators to the "flatness" of Ralph Fiennes' Hamlet to his own collection of more than 2,000 chairs. Like the judge in the old joke, after three hours we may have been none the wiser but we were much better informed.

The domestic theatrical highlight of the festival is a revival of Stewart Parker's *Northern Star*, jointly produced by the Field Day and Tinderbox companies and directed by Stephen Rea. Parker's play, which focuses on the role of Belfast dissenter Henry Joy McCracken (Conleth Hill) in the United Irishmen's uprising of 1798, gains in power by being staged in that rising's bicentennial year and in that same First Presbyterian Church in Rosemary Street where McCracken and his fellows worshipped.

Most main scenes are written in parodies of Anglo-Irish playwrights from Farquhar through Wilde to Beckett, but this is more than a stylistic *tour de force*. Throughout the play, it is clear that the passionate striving of McCracken to find a clear path between the opposing religio-political camps in Ireland is shared by Parker to the very marrow. Since Parker's premature death 10 years ago, only now have I come truly to realise what an immense talent was lost with him.

Ian Shuttleworth

Festival continues until November 29; box office 01232-665577.

INTERNATIONAL Arts Guide

ADELAIDE

OPERA
The Ring Cycle: by Wagner, staged by Pierre Strosser and conducted by Jeffrey Tate, this is the first production in Australia since 1913; to Nov 24

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 20, 23

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and Mendelssohn. With mezzo-soprano Petra Lang and baritone Simon Keenlyside; Nov 19, 20, 21, 22

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 21

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
● Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos, directed here by Peter Watson and conducted by Richard Armstrong. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 21
● Scottish Opera: The Magic Flute, by Mozart, in a production by Martin Duncan, conducted by Richard Farnes; Nov 20

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garforth; Nov 19, 20

HUDDERSFIELD

CONCERTS
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
● BBC Scottish Symphony Orchestra: conducted by Tan Dun in the UK premiere of his opera Marco Polo. Concert performance, with the Chorus of the Royal Scottish Academy of Music and Drama; Town Hall; Nov 22
● London Sinfonietta: conducted by Elgar Howarth in works by Simon Holt, Luis de Pablo and Elliott Carter. With piano soloist Rolf Hind and clarinet soloist Michael Collins; St Paul's Hall; Nov 20
● Nash Ensemble: conducted by Martyn Brabbins in works by Turnage, Simon Holt and John Casken. With mezzo soprano Jean Rigby and oboe soloist Gareth Hulse; St Paul's Hall; Nov 21
● Nuove Sincronie: UK debut of the Milan-based ensemble, conducted by Renalto Rivolta in the UK premieres of three works by Luis de Pablo; St Paul's Hall; Nov 22

OPERA
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
Opera North: The Nightingale's to Blame. World premiere of a new opera by Simon Holt, based on a play by Lorca, translated by David Johnston. The conductor is Nicholas Kok and the staging is by Martin Duncan; Lawrence Batley Theatre; Nov 19, 21, 22

LONDON

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
The Au Bak Ling Collection: 100 Masterpieces of Imperial Chinese Ceramics, 12th to 18th Centuries. Includes works from the Song, Yuan, Ming and Qing dynasties, which together provide a remarkable overview of the finest Chinese porcelains ever made; to Dec 20
Victoria and Albert Museum
Tel: 44-171-938 8500
● Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. A member of the fin-de-siècle avant-garde, Beardsley left England for Dieppe following Wilde's disastrous libel action and subsequent imprisonment in 1895. The exhibition marks the centenary of Beardsley's early death, aged 25; to Jan 10

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel (Noel Davies from Dec 2) in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson (Gidon Saks from Dec 2) sings the title role; Nov 20

MANCHESTER

CONCERTS
Bridgewater Hall
Tel: 44-161-907 9000
● BBC Philharmonic: conducted by Vassily Sinaisky in an all-Russian programme including works by Shostakovich and Rachmaninov. With violinist Dmitri Sitkovetsky; Nov 21
● Vienna Boys Choir: 500th anniversary concert, featuring works by Mozart, Schubert, Mendelssohn and Brahms; Nov 20

MARTIGNY

EXHIBITION
Fondation Pierre Gianadda
www.gianadda.ch/index.html
Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. Includes more than 100 works from around the world; to Nov 22

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Berlioz. With piano soloist Radu Lupu; Nov 21, 23

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff; Nov 19

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● New York Philharmonic: conducted by Christian Thielemann in works by W. Schuman and R. Strauss. With cello soloist Carter Brey; Nov 19, 20, 21

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● La Bohème: by Puccini. With Marco Armiliato conducting and a cast which includes Hei-Kyung Hong, Gwynne Geyer and Frank Lopardo; Nov 19, 21
● Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 21
● Tosca: by Puccini. Nello Santi conducts and the cast includes Maria Guleghina and Richard Leech; Nov 20

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard; Nov 21, 23

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Britten, Beethoven and Hindemith. With violin soloist Frank Peter Zimmermann; Nov 19, 20, 21

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair, with sets by José Varona. The title role is sung by Carol Vaness; Nov 21

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Reform or bust (or both)

John Thornhill says Russia's banking system is bust and there are few signs of healthy institutions emerging from the wreckage

As Russia's bankers sip their tea and cognacs in lavish corporate dining rooms, they have taken to playing a new post-prandial game: spot the solvent bank. Every banker draws up a different list; few can name more than three or four of Russia's 1,600 banks in which they would risk their own money.

The game highlights the collapse of Russia's entire banking sector. No one trusts anyone and everyone assumes the worst. Following the rouble devaluation on August 17, millions of fearful depositors rushed to retrieve their savings. About 10 per cent of all retail deposits were withdrawn in that month alone.

Bruised foreign creditors, who lent billions of dollars to Russian banks in 1997, are refusing to roll over those loans. A 90-day moratorium on commercial debt repayments expired at the weekend, and creditors are now pressing Russian banks to honour their obligations – or face bankruptcy. Broadly, the whole banking system is bust. Messy and protracted legal battles loom.

The collapse of transparency and trust, as much as the evaporation of assets and cashflow, is the most damaging consequence of Russia's financial carnage. How the country tries to rebuild faith in its banking sector will play a crucial role in determining whether Russia staggers towards a market economy, or sinks ever deeper into its economic quagmire.

There is still hope the crisis will lead to the emergence of a competitive, regulated banking sector. But the fear is that – as so often in Russia's recent past – good intentions will be sabotaged by poor implementation.

After weeks of prevarication, the central bank has finally started talking tough. There is no money to salvage all of Russia's banks, it said. The central bank forecasts almost half of them will go bust over the next few months. It has already begun withdrawing licences from some of Russia's biggest and most troubled institutions, including Tokobank and Inkombank.

Under a restructuring programme presented to parliament this week, the central bank has divided Russia's banks into four categories. About 600 are supposed to be strong enough to survive on their own; 190 big regional banks are relatively unaffected but might need some support from local governments; 18, as yet unnamed, banks are deemed essential to preserve the integrity of the banking system, and will be supported with funds from the World Bank and the European Bank for Reconstruction and Development. But the remaining 720 banks will be wound up by their creditors, however difficult that may prove to be in practice because of the absence of a proper bankruptcy law.

Enrico Perotti, a professor at the University of Amsterdam who has studied the banking systems in many emerging markets, says Russia's central bank, having devised a general framework, must now spell out in detail how its plan is going to work in practice.

Prof Perotti argues that the experience of other countries shows that three elements are critical for the successful restructuring of troubled banking businesses. First, banks that took undue risks must suffer the consequences. Second, troubled banks must be closed swiftly to prevent further losses. And third, the central bank must resist the temptation to whittle away bank losses with a bout of inflation.

So far, Prof Perotti argues, the central bank has not shown the political will to implement such tough policies. "It is unclear which banks are going to be supported, how they are going to be supported, how they are going to be financed, how they are going to resolve the legal vacuum in which these banks operate," he says. "I think this is a wish list."

Moreover, the central bank's plan is massively complicated by two unresolved – and related – problems: the consequences of the government's default on its domestic debt (GKO) market; and the $6bn of outstanding foreign exchange contracts signed by Russian commercial banks with foreign investors.

The government's default on domestic debt on August 17 wiped out a large proportion of the banking industry's assets overnight. At a stroke, hundreds of otherwise healthy Russian banks became insolvent.

Emergency funds have been injected into some favoured banks, but the central bank has not devised a comprehensive scheme for recapitalising the banking industry as a whole.

Some of Russia's stronger banks might have hoped to shore up their finances by raising additional funds from abroad. But their chances of doing so have been damaged by the uncertainty surrounding the outstanding forward contracts signed by many Russian commercial banks.

Following the devaluation of the rouble, several Russian banks face potentially huge losses on their foreign exchange contracts after having agreed to hedge foreign investors' positions in the domestic debt market.

Foreign creditors fear Russian banks may have used the 90-day moratorium – intended to allow an orderly rescheduling of obligations – simply as a cloak to spirit away whatever healthy assets remained in their balance sheets.

Alexander Lebedev, chairman of the National Reserve Bank, one of Russia's biggest commercial banks, says the moratorium was a mistake. It has harmed Russia's solvent banks because it has denied them access to international capital markets. He is also against the central bank pouring more public funds into bankrupt banks. Some of them have just used the last few months to cover up the traces of their stripping of assets," he says.

Prof Perotti argues that any evidence of asset stripping would irredeemably damage the reputation of Russian banks and spark a series of lawsuits from foreign creditors. "It would really destroy the last shred of credibility , and I cannot imagine any private money coming to Russia for 10 years," he says.

Grave though all these problems are, there is perhaps a still more important factor overhanging the future of Russia's banking system: how to draw a dividing line between the private and public sectors, to ensure that commercial acumen rather than political clout becomes the determinant of success.

In a recent book*, Michael Bernstam and Alvin Rabushka, two American academics, argue that the incestuous relationship between government and business, and the failure to develop an independent commercial banking sector, has been a major cause of the ineffectiveness of Russia's economic reforms.

Messrs Bernstam and Rabushka say Russian banks did not flourish because they were successful at attracting retail deposits and channelling savings to productive investments. Rather, they acted as quasi-government agencies that redistributed public funds to semi-privatised enterprises.

As a result, they say, "private property ultimately ended up in the hands of the most capable predators of public income, not in the hands of those who might use it to generate the highest possible economic return".

The creation of a healthy commercial banking sector, the authors argue, would help establish the "sovereignty of private individuals", and ensure that investments were made for commercial reasons rather than for political ends.

An admirable outcome, no doubt. But for this to come about Russia's central bank will have to show a far greater degree of independence and maturity than it has shown so far.

Fixing Russian Banks. Michael S. Bernstam and Alvin Rabushka. Hoover Institution Press Publication No. 449

Russian banks
The top 20

Bank	Total capital (Rbs bn)	Total deposits (Rbs bn)	Total loans (Rbs bn)	Branches
Sberbank of Russia*	18,424	148,772	41,843	31,948
Inkombank**	2,281	24,772	18,276	-
SBS-AGRO	2,448	19,861	12,609	64
UNEXIM Bank	5,661	12,439	19,345	3
Rossiyskiy Kredit Bank	1,799	15,005	12,414	38
Vneshtorgbank	6,252	11,844	13,419	13
Menatep Bank	1,993	10,605	12,342	37
Mezhprombank	1,909	13,143	14,821	2
Alfa Bank	1,046	9,008	10,749	21
Gazprombank	1,930	6,940	7,250	23
Mosbusinessbank	1,002	4,528	5,075	52
International Moscow Bank	1,264	3,808	4,379	1
Imperial Bank	1,491	6,872	6,589	8
Avtobank	1,821	5,987	4,189	15
Tokobank***	1,542	4,249	5,612	16
Most-Bank	1,084	4,587	6,984	39
Promstroybank of Russia	895	5,081	3,191	65
Bank Moskvy	402	5,047	3,148	39
Moscow AKB Vozrozhdeniye	768	3,989	3,484	60
Toribank	735	4,821	3,578	2

Source: The Banker

* Oct 30 1997
** Licence withdrawn

LETTERS TO THE EDITOR

Efforts to rationalise greenfield debate should be encouraged

From Mr David Sawers.

Sir, It is disappointing to find Sir Samuel Brittan repeating the hackneyed claim that "nimbyism", or objections to development in the countryside, represents an intervention by special interest groups to prevent the rest of us achieving legitimate objectives. ("A lopsided debate", November 12).

Building on open country destroys environmental assets while creating physical assets, and those who argue that the loss often exceeds the gain hold a rational view that deserves to be considered.

The case for development in the countryside should be treated like any investment appraisal, even if the environmental factors in the appraisal are not easily quantified. Economists have laboured for many years to develop techniques for measuring environmental factors; their efforts deserve more support, because they provide the means of raising the policy debate about greenfield development to a higher and more rational plane.

It may not be possible in the near future to produce valuations of environmental factors that are sufficiently reliable to provide precise answers about the desirability of greenfield development, but they should be good enough to give an idea of how the costs and benefits of development may balance.

They should be reliable enough to justify making them a normal part of the planning process.

Politicians will no doubt oppose such a development, because it would reduce their power; but improving the planning process requires the use of more quantified factors and fewer subjective and political factors.

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Inflexibility, not interest rates are the real problem with BMW's UK plant

From Mr Stephen Hill.

Sir, Your front page article "BMW seeks UK plegde on euro" (November 17) reports that BMW would like to see Britain join Economic and Monetary Union in the context of its proposed investment in the Longbridge plant. BMW is quoted as saying "The British pound is overvalued because of its high interest rates". If BMW had owned Longbridge during the UK's Exchange Rate Mechanism membership in 1990-92, they no doubt would have complained that high German interest rates were damaging British industry.

The real problem at Longbridge is the lack of flexible working arrangements, which happens to be the main problem with Euroland. Although German productivity is much higher in BMW's German plants, BMW is concentrating most of its investments outside Euroland and in the Anglo-American economies.

The next problem with Euroland is that payroll taxes are far higher than here in the UK, and the flipside of EMU is tax harmonisation: at least that was Gerhard Schroder's first quoted comment on becoming Chancellor. If German tax rates were applied to Longbridge it would probably be completely bust.

Stephen Hill,
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BMW misses the point in euro warning

From Sir Michael Edwardes

Sir, In your article on BMW/Rover, "BMW seeks UK pledge over euro" (November 17), you say the chairman of BMW has issued stark warnings about the dangers to UK manufacturing of a prolonged period outside the euro. This is special pleading. His argument is that the pound is too high because of high interest rates.

If we were taking part in economic and monetary union, we would not be able to influence the level of our currency at all. And if it is to Britain's advantage to reduce (or raise) interest rates, at present we can do do: within Emu, we would be but one of a dozen voices.

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PERSONAL VIEW FRED SMITH

Slogans for progress

European companies need to fight more vigorously against anti-business lobby groups

Multinational companies are under attack everywhere – but nowhere more than in Europe.

Recent amendments made to a convention that oversees the use of the North Sea provide evidence of this. New rules impose a near total ban on the disposal of oil rigs at sea there. The London-based Offshore Decommissioning Project estimates that the restriction will cost $20bn. This cost is compounded by the missed opportunities that will arise because the changes prevent environmental benefits. US companies routinely decommission oil rigs in the Gulf of Mexico, and the rigs then become rich sanctuaries for fish and other ocean life. The North Sea ban is bad ecology as well as bad economics. But few voices, business or political, defended the oil industry either when the ban was imposed or when the issue first blew up during a cause célèbre – Shell UK's foiled disposal of the Brent Spar oil platform in 1995.

This should awaken European business to the threat posed by moral attacks on its legitimacy. Greenpeace, the instigator of the Brent Spar charges, has been perhaps the most aggressive, but anti-business non-government organisations (NGOs) are numerous.

Shell and other petrochemical companies are accused not only of destroying the North Sea but of threatening human rights in Africa. Large food companies – Nestlé and Bristol Myers Squibb, for example – are accused of encouraging mothers to deny infants the virtues of breast milk. Firms involved in biotechnology face bans and regulatory impediments. Most recently, the European Union is contemplating banning the use of PVCs in children's toys.

If European businesses are not to undergo more such defeats and accusations, they must learn to compete in the messy world of politics. Business leaders seem aware of the challenge, but are unable to define an effective strategy. Consider the desparing comments of Chris Fay, Shell UK's chief executive, about his company's battle with Greenpeace: "[It was] populist sound bytes versus reasoned arguments. How were we supposed to counter that?"

Brent Spar: Shell lost the public relations battle Brendan Corr

Business is a rational enterprise; facts matter. Thus, when a charge is levelled against the modern company, the first move is to seek to educate the public. This is a noble idea, but foolish. Knowledge is costly to acquire. People are busy. They devote scarce time to learning those things likely to advance their welfare: the relative performance of alternative pension plans, the pros and cons of a new job, information on what appliance to buy. They spend little time educating themselves about things they can do little about or that affect them only indirectly – such as offshore oil rig disposal. In a world of rational ignorance business cannot expect that people will know much about corporate concerns.

Business has not understood that. In response to the Greenpeace accusation that Shell sought to destroy the ocean for profit, Shell, rather than advancing a moral defence, argued that land disposal of the Brent Spar would be more expensive and labour intensive. It should be no surprise that Greenpeace's politically sexy sloganeering trumped Shell's bloodless bean counting.

The effectiveness of Greenpeace and related groups depends on their moral legitimacy; the same rule applies to industry. Arguments which could have enhanced Shell's moral standing in the Brent Spar commotion were readily available. In the US, ocean disposal of oil and gas platforms is a popular and effective method of habitat enhancement. Hal Osburn, of the Texas Department of Parks and Wildlife, has remarked that "dropping one of these rigs [to create an artificial reef] in the middle of this vast expanse of mud bottom is like putting an oasis in the desert".

But to make such arguments you have to want to fight in the first place. It appears that European business is still uncomfortable with this notion. The European biotechnology industry's cool response to US firm Monsanto's £1m campaign to promote genetically modified organisms (GMOs) is a good example of this reluctance. Continental European biotech competition refused Monsanto's invitation to contribute to the public defence of GMOs in France and Britain, on the grounds that outward advocacy might turn an already sceptical public against them. Doubtless, Monsanto's economic stake in the future of biotechnology to some extent vitiated its attempt to secure public confidence. But while consumers may be cynical about the motivations behind such a campaign, this suspicion did not eclipse the merits of pro-technology arguments made on consumer grounds.

Much of the power of attacks against multinationals stems from the view that modern companies, while effective at producing wealth and providing opportunities for the well-educated elites of the world, threaten the welfare of the poor. Companies fear that their already tarnished image will be damaged further if they seek to defend themselves actively.

If executives really believe they harm the poor, they should quit their jobs immediately. The evidence, however, is that multinationals are among the most creative and effective forces for egalitarian justice in the world. Monsanto, by advertising the environmental and economic benefits of bio-engineered seeds, partially reminded people of this – even in the teeth of scepticism from consumers and Prince Charles (who came out against the company).

In spite of Monsanto's efforts, the political vulnerability of economic activity in Europe is unlikely to improve. The profit-seeking nature of companies weakens their voice in "cultural" debates. Conversely, the very absence of an economic stake enables non-profit groups to claim to speak on behalf of the public interest.

One approach for European business is to ally itself with independent pro-technology and pro-free-market think-tanks. Despite reservations, many American companies have come to understand the comparative advantage of such groups in the political world: they have sought them out as allies in the policy debate.

European business would do well to follow suit. The destructive trend represented by the North Sea oil-rig ban and the proposed anti-biotechnology policies make this an urgent matter. European business must shrug off its reticence, and encourage the flowering of free market think tanks. If it fails to do so, Europe can scarcely remain a viable force in an increasingly global economy.

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FINANCIAL TIMES

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After the Fed's cut

Alan Greenspan, chairman of the US Federal Reserve, should tell his European counterparts to pull their weight. The Fed has done enough for now. In response to international financial turmoil, it has cut its federal funds rate three times in seven weeks, to 4.75 per cent. The Bank of England has cut interest rates by the same amount. But central bankers in the core countries of the euro-zone have refused to budge from 3.3 per cent. The next cuts should come in continental Europe – and they should arrive as soon as possible.

The Fed has shown its determination to head off a slowdown, thereby reassuring financial markets at home and abroad. Its statement accompanying the latest cut said that, although conditions in financial markets had settled down "materially" since its emergency cut a month ago, "unusual strains remain".

Some increase in the spread between safer and riskier securities is quite good. But it is possible to have too much of it. Mr Greenspan has warned that disengagement by investors threatens a credit crunch. Spreads between investment grade corporate bonds and Treasuries have narrowed, but remain more than 60 per cent greater than at the start of the year. This looks like over–shooting and helps explain why the US central bank cut rates again this week.

Unfortunately, this renewed appreciation of risk among investors in debt markets is lacking in the equity markets, which – reassured by the Fed's actions – have bounced back to exuberant levels. The Dow Jones industrial average is again hovering around the 9,000 mark. The Fed has judged that, for the moment, a credit contraction remains a greater risk than an equity bubble. Even so, Mr Greenspan should signal that further cuts are by no means guaranteed.

For the UK, the question is when, rather than if, to cut rates further. The Bank of England's inflation report shows that, despite the uncertainty shrouding the outlook for the UK economy, it thinks it did enough with its last 0.5 percentage point cut – even if one member of the monetary policy committee wanted a 0.75 point reduction. But, as the Organisation for Economic Co-operation and Development warns, the MPC risks pushing the economy into an unnecessary recession if it keeps interest rates too high for too long.

With output weakening in the core continental European countries and deflation apparently a greater risk than inflation, the case for lower interest rates there seems quite compelling. Convergence at the 3.3 per cent level must be achieved by the December 22 meeting of the European Central Bank at the latest. As soon as convergence is complete, rates should be cut. Even if it is what politicians are calling for, it is still the right thing to do.

Apec adrift

It was always too much to hope that this week's summit of the Asia Pacific Economic Co-operation forum in Kuala Lumpur would contribute decisively to restoring global economic stability. But the 21 Apec leaders might at least have been expected to try not to rock the boat. They failed even that test, by turning the meeting into a showcase for their divisions.

US vice-president Al Gore antagonised many Asian leaders by openly backing street protests against Mahathir Mohamad, Malaysia's prime minister and the summit's host. Mr Gore's speech may have bolstered his presidential ambitions back home. But it seems unlikely to do much to aid Malaysian reform. Rather, it threatens to fuel anti-US feelings in Asia, making it even harder for other regional leaders to press Dr Mahathir to mend his ways.

Bitter differences also torpedoed Apec's efforts to agree a modest trade liberalisation package, while a US-Japanese proposal for a $10bn crisis fund for Asia turned out to be a damp squib. Much was said about currency volatility and financial market regulation. But the meeting yielded no new ideas for dealing with these questions.

True, the circumstances of this summit were inauspicious. It was overshadowed from the outset by the political situation in Malaysia and by the jittery economic mood in Asia. Discussions were also constrained by the absence of finance ministers. Nonetheless, the meagre outcome underlines a broader point: that regional groupings are ill-equipped to deal with problems that are increasingly global in nature.

Apec is particularly unsuited to that task. Although its members account for about half of world trade and economic output, its loose structure condemns it to move at the pace of the slowest. Four years after Apec leaders pledged to free all trade and investment by early next century, negligible progress has been made towards that goal.

At least this week's meeting seems to have forced some recognition of these failings. Thus, the leaders deferred to the Group of 22 discussion of how to strengthen the world financial system. They also remitted their latest, still-born efforts at trade liberalisation to the World Trade Organisation. Perhaps some lessons are being learned.

If Apec has any value, it is probably as an excuse for an annual chat between leaders from countries whose main distinguishing feature is their extraordinary economic, political and cultural diversity. Jaw-jaw is always preferable to war-war. But Apec risks losing all credibility, even as a casual talking shop, unless its leaders can improve on this week's dismal performance.

Bear-hug foiled

Microsoft plays rough. That verdict, vividly demonstrated in the antitrust trial, is also borne out by a defeat for the company in a separate case brought by Sun Microsystems.

This stems from Microsoft's use of Sun's Java programming language. The central issue is a technique Microsoft has also adopted in other areas – seeking to "embrace and extend" any technology that poses a threat.

Java was promoted by Sun as ideally suited to the internet, and capable of running on any operating system and hardware. If the internet boom helped Java to wide success, the dominance of Microsoft's Windows operating system would be undermined. Indeed, Sun hoped to cut out Windows altogether by creating its own operating system, a tactic that could work only if Java became a universal standard.

Microsoft's reaction was typical. In a flurry of aggressive internal e-mails, it set out to make Java merely another language within the Windows empire. After agreeing a licensing deal with Sun, it produced versions of Java with more bells and whistles than the standard, run-anywhere version. This improvement came at a price, however: it would apply only when running Windows, undermining Java's universality.

Sun argued that this contravened the licensing deal. It is this contention that a US district court upheld in an interim ruling on Tuesday. Microsoft must now adjust its programs – including Windows 98 – so that customers have complete freedom to use the run-anywhere version of Java.

One moral of this tale is that Microsoft pushes its contracts to breaking point when it seeks to seize potential rivals in a bear-hug. A second is that it was able to do so in this case partly because Sun was slow to develop Java after the initial launch.

Perhaps the most important moral, however, is that in an industry based on the trading of intellectual property, contractual disputes are inevitable. By ruling on contracts, courts become involved in arcane aspects of software design.

That has broad consequences. Computer executives – even those who mistrust Microsoft – want to keep the government out of their industry's detailed operations. They may succeed in keeping the administration at bay, depending on how the justice department fares in its antitrust suit.

But the courts are another matter. The Sun case illustrates that Microsoft – and the rest of the computer industry – is going to have to get used to spending a lot of time in court. And a company with a reputation for playing rough may find it loses more cases than it wins.

Al Gore's foreign policy

Gerard Baker says tensions about trade will dominate US foreign policy for the rest of Bill Clinton's term

Hours after Keizo Obuchi was elected Japanese prime minister this summer, he took the customary congratulatory call from the White House. President Bill Clinton extended his warmest felicitations, blah, blah. And while he gently repeated familiar US concerns that Japan must stimulate its economy and open up its markets, Mr Clinton struck up the kind of rapport with the latest septuagenarian prime minister in a way that has become a hallmark of his personal diplomacy.

Then vice-president Al Gore came to the Oval Office speakerphone. Suddenly, according to one official who heard the conversation, the tone changed.

Mr Gore was polite enough, but his manner was much more businesslike and brusque. He warned Mr Obuchi that Japan was responsible not only for addressing its own chronic economic problems but for leading the rest of Asia out of recession. The US expected action and – the message was clear – Japan could not expect American patience to be unlimited.

When Mr Clinton arrives in Tokyo today for a two-day visit, his first in more than two years, the tone of that conversation will be very much in the minds of all the parties. The interlocution was more than simply a case of the US leadership playing the "hard-cop, soft-cop" routine. It presaged a shift in Washington's approach to its most important trading partner outside the Americas.

Mr Gore's surprisingly aggressive tone reflects a combination of domestic political and economic pressures that seem certain to push the US into a more assertive stance on economic relations, not only with Japan, but with the rest of the world in the next year. The change of tone was already evident in Mr Gore's remarkable speech earlier this week at the Asia-Pacific Economic Co-operation forum in Kuala Lumpur, in which he praised the "bravery" of those calling for *reformasi* at a time when the standard bearer of reform is in jail, having been sacked as finance minister and denounced for "moral misconduct" by the prime minister.

Trade tensions with Asian countries are nothing new, of course, and in Tokyo Mr Clinton will be as amicable as ever. But he arrives – fresh from another inconclusive stand-off with Saddam Hussein – against a backdrop of mounting discord between the US and its main Asian partner.

At the Apec annual meeting they failed to agree on so-called voluntary trade liberalisation programmes in sectors Japan is eager to protect. That case will now go to the World Trade Organisation. (At the same meeting, the Japanese took the highly unusual step of criticising Mr Gore's combative speech.) The US is also pressing anti-dumping charges against Japanese steelmakers, along with those from Brazil and Russia, after a doubling this year of hot rolled steel imports into the US.

The reason for the shift in US emphasis is threefold:

- Americans are increasingly aware that the state of the world economy depends on a massive increase in the US trade deficit. Next year, the deficit seems certain to reach $300bn (£179bn), 4 per cent of gross domestic product, perhaps even higher. While the deficit has grown gradually for the past six years without prompting more than a few whimpers from domestic constituencies, such forebearance seems likely to be exhausted in the next year.

As Lawrence Summers, the deputy US Treasury secretary, noted this week: "At a time when continued demand is crucial to the global economy and in particular to the Asian economy, Japan's current account surplus has substantially increased. Japanese imports from eight major Asian economies have actually fallen in the past year by more than 13 per cent, while US imports from these countries have risen."

US companies are already unhappy about America's role as importer of last (and increasingly first) resort for the rest of a slowing world. There are already clear signs of stress: the manufacturing sector is virtually in recession and a number of industry groups are pressing for relief. The anti-dumping steel cases are a reflection of the pressure: the battle with the European Union over bananas is another sign of strain.

- Until now the growth in the trade deficit has coincided with a rapid acceleration of domestic US growth, pushing unemployment down to its lowest rate in a generation. For all the concerns of domestic industry about the pressure from abroad, it is hard to convince a prosperous American public to get agitated over trade concerns when the good times continue to roll. But in the next year or so, growth will almost certainly slow. This will probably not be enough to tip the world's largest economy into recession but the slowdown is expected to push unemployment higher, and reawaken old fears that American jobs are about to be lost to unfair foreign competition.
- Perhaps most important, the domestic political climate is likely to become markedly less friendly towards free trade.

The Democrats' surprisingly strong performance in the midterm elections this month may have saved Mr Clinton's political skin, but it does not augur well for trade relations. Much of the credit for Democrats' victories in the House of Representatives is owed to labour unions, who spent heavily in critical districts to back Democratic candidates.

The unions will expect their reward from the new Congress in a variety of ways, but perhaps, most importantly in trade.

The president is committed to trying again to ask for "fast-track" trade negotiating authority early in the new year, following its defeat last year. (Fast-track authority means that Congress can accept or reject a trade agreement negotiated by the administration but may not amend it.) But with a bigger Democratic representation in the Congress backed by unions, the chances of success look remote.

In fact, some analysts believe the likely outcome is an even more aggressive trade posture.

"Fast-track will put the trade issue clearly on the political agenda," says Richard Medley, of Medley Global Advisers, an international economic consulting group in New York. "The most likely outcome is that protectionism will rise to the top of the American political agenda."

And then there is Mr Gore himself. The vice-president is the front-runner for the Democratic nomination for president in 2000. But he is not assured of the nomination, still less of victory in the presidential election.

His advisers say his principal concern remains the prospect of an economic slowdown. The vice-president is especially vulnerable to economic weakness. His reputation as a fervent environmentalist has made it easy for his opponents to depict him as the enemy of ordinary workers and businesses.

If Richard Gephardt, the Democrats' leader in the House, the natural choice of labour and a fierce critic of the administration's open trade policy, decides to run for president against Mr Gore, he will force the vice-president to defend himself against charges that the administration has been soft on foreigners. Even if Mr Gephardt does not run, a growing possibility since the elections (he may prefer to concentrate on winning the Speakership in 2000), Mr Gore will still need to defend his internationalist flank.

"Gore's beating the drum in discussions with the Japanese and with others over trade," says one administration official. "He knows he's got to sound tough."

As the race for 2000 gets closer, the trade deficit gets larger and the economy slows, the drumbeat will almost certainly grow louder.

Japan's injured pride

There is a growing anti-American mood in Japan, which may damp the welcome for Bill Clinton in Tokyo.

Government officials are fed up with being told Japan is not doing enough to help Asia. "If [the US] has ideas, it should put up the money too," says one finance ministry official. Japan, he points out, has been the largest single donor to Asia since the onset of the region's financial crisis: it has given 14 times as much as the US.

Japan is also irked by US decisions to kill Japanese initiatives to mitigate the crisis. It is still smarting over the way the US quashed a proposal to set up an Asian Monetary Fund. US officials argued that the fund would discourage Asian countries from finding their own solutions to their problems. Instead, the US persuaded Japan at this week's meeting of the Asia-Pacific Economic Co-operation forum in Kuala Lumpur to agree to a $10bn multilateral fund to help Asian countries restructure their banks and private sector companies.

The decision to scupper an Asian Monetary Fund was, says Ichizo Ohara, a member of the ruling Liberal Democratic Party's committee on financial reform, an example of America's "outrageous impudence".

Such signs of frustration reflect growing insecurity about Japan's relationship with the US, says Tomohisa Sakanaka, president of the Research Institute for Peace and Security in Tokyo. "Japan fears that the US is depending on the International Monetary Fund and ignoring Japan's role in the Asian crisis." Mr Clinton's visit to Beijing earlier this year brought widespread concern that the US was sidelining Japan in favour of China. "The US-Japan relationship is very emotional," Mr Sakanaka says.

These concerns have spilled over to Japan's security arrangements with the US. After North Korea launched a rocket over Japanese territory in August, the US contradicted Japanese claims that the rocket was carrying a ballistic missile, saying it was a satellite, not a missile. For two countries that are supposed to co-operate closely in matters of regional security, this disagreement was disturbing, says Mr Sakanaka. To add insult to injury, the US response to North Korea's perceived aggression was more subdued than Japan had hoped for.

Last weekend's regional elections in Okinawa, where the bulk of US military bases are located, were a reminder of Japan's ambivalence to the presence of US troops on its soil. The elections showed that the prefecture is split down the middle between those who think the bases should stay and those who want them moved.

Mr Clinton, therefore, has many fences to mend when he arrives in Japan. With luck, the visit could reassure the Japanese government that it still enjoys a special relationship with the US. On the other hand, the US seems more concerned with doing whatever is necessary to resolve the Asian crisis than with resolving – as Mr Sakanawa puts it – "the emotional friction that exists [with Japan]".

Michiyo Nakamoto

OBSERVER

Bullion tactics

Gold isn't exactly the metal of the moment, but the boys and girls in the European parliament might just have found a use for all the unloved yellow stuff that seems to be knocking around.

Yesterday the parliament voted – by a 24-carat majority – for a gold 100 euro coin to "symbolise the strength of the euro and add an emotional aspect to the new currency".

A new gold coin would perk up a market where sentiment has been flagging, not least because of the 12,000 tons of gold in euro-zone central bank reserves that isn't needed by the European Central Bank in Frankfurt.

The MEPs can be ignored, of course, and Brussels monetary commissioner Yves-Thibault de Silguy has been pouring *eau froid* on the idea. But maybe he's missing a trick. Andy Smith, analyst at Mitsui Bussan Commodities in London, says the gold euro has many virtues, one of which should appeal to the Frenchman. It might give the US a poke in the eye.

The $100 bill has virtual hegemony in the global black market these days. The 100 euro coin could give it a run for its money, especially as gold has more intrinsic value than paper.

So expect to hear lots of lobbying for the gold euro in the months to come – but don't expect to hear too much about providing liquidity to the black market.

Long sentences

The Microsoft monopoly case may be the trial of the year, but the combination of geeks droning on about software and lawyers who could bore for their country is enough to send anyone to sleep.

Even Thomas Jackson, the larger-than-life judge, has dozed off this week and there has been plenty of snoozing among the lawyers and the press.

On Tuesday, John Warden, Microsoft's leading attorney, snuggled up to his computer for 40 winks. On the other side of the room, Stephen Houck, the lead attorney for 20 states, leaned back somnolently in his comfy, black leather chair.

Clearly, something had to be done, and Judge Jackson stepped in with his first joke of the trial. There had been a survey, he said, to find out whether computers should be referred to as masculine or feminine.

The women said computers were definitely masculine. To get their attention you have to turn them on. And as soon as you commit to one, you realise you could have got a better model if you had waited a little longer.

The men said computers were definitely feminine. Even your smallest mistakes are stored in long-term memory. And as soon as you commit to one, you find that you're spending half your pay on her accessories.

Within 20 minutes, the talk returned to software code and slumber descended on the court once more.

Dan stands down

So it's farewell to Dan Borislow, soon to be ex-boss of Tel-Save. The US telecommunications group's wild and wacky year took its most bizarre twist this week when the eccentric Borislow announced he was standing down in an attempt to boost the stock price.

Wall Street will be a duller place, but Tel-Save shareholders, including Borislow himself, are hoping for better days: about 80 per cent of Borislow's $250m net worth is in Tel-Save stock, which has slid from $30 to about $11 since February when the company said it had hired Salomon Smith Barney to advise on a possible sell-off.

That was followed by a number of upbeat statements from Borislow, who then announced that Tel-Save would be making a $300m share buy-back while staying independent. In the summer, Borislow boldly announced he was prepared to spend up to $600m buying long-distance phone company World Exchange: within weeks, he said the deal was off.

He's now lining up with those investors who think the stock price might bounce back if he shoves off. "This is an instance of where if I go to work, I make money," he says. "But if I don't go to work, I make more money."

Phoney war

Now we know why that grim line-up of Soviet bosses looked so stony-faced at military parades in Red Square. They were trying not to laugh.

If the Russian magazine Vlast (Power) is to be believed, they were pulling a gigantic confidence trick on the west. Some of the huge missiles on show were dummies.

One piece of inert metal was dressed up in 1965 to look like a missile – the GR-1 – that had already been abandoned. It was so convincing that the US spent billions of dollars on counter-measures. Another two mobile ballistic missiles shown on the same day were complete flights of fancy.

Not that Soviet technological skills were ignored: one engineer recalls fixing up a dud so that it wouldn't bounce if it fell on the Kremlin cobbles.

Maybe the west should have listened more closely to Nikita Khruschev when he boasted that the Soviet Union was making missiles "like sausage".

Any *babushka* in a Moscow food queue could have told the CIA just what that meant.

The Financial Times

100 years ago

Where The Tea Goes
Details of the direct exports of Indian tea from Calcutta, recently published by the Indian Tea Association, afford interesting information as to the localities to which Indian tea now goes. Outside the United Kingdom, Australasia is now the most important market, having taken this year close on 3,700,000 pounds. India has taken 2,600,000 pounds, North America 1,900,000 and Turkey nearly as much. Germany, Persia and Russia furnish markets of increasing importance, though still, of course, very much behind the others mentioned.

50 years ago

Wine In The Home
Advertisement: "One of the pleasanter features of the 'good old days' was the joy men found in drinking wine. Today Emu Australian wines are helping to revive this fine old custom. Serve them when friends call: there is no better way to easy hospitality and good living. The Emu Wine Company Limited, London, By Appointment Australian Wine Merchants To H.M. The King."

FINANCIAL TIMES
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THE LEX COLUMN

Merger surge

Now that the end of the world has been postponed, life is creeping into the European M&A market. As such mooted alliances as Synthélabo/Sanofi, Viag/Alusuisse and Hoechst/Rhône-Poulenc suggest, dialogues chilled by market volatility are being re-heated. Yet a return to the halcyon pre-Russia crisis days seems some way off. Certainly, the underlying pressures of globalisation and further integration of euro capital markets continue to force the pace of corporate activity. Indeed, European M&A activity in the first nine months of 1998 was 66 per cent higher than in 1997.

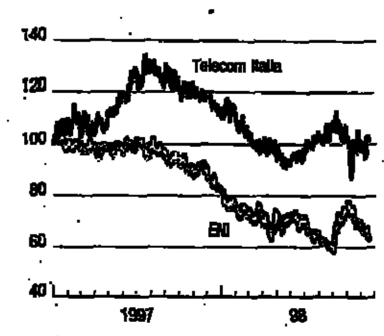
But that masks a 40 per cent fall in the third quarter, which will take some reversing. First, as prices have rebounded, the window of bottom-fishing opportunity has largely closed. Second, as KKR's aborted bid for Herberts paints showed, financial buyers remain frozen out by an unfriendly high-yield bond market. Without financial buyers pushing up prices, companies may postpone divestments. Third, drip-drip downgrades to growth forecasts are doing nothing for chief executive confidence. And, last, the prospect of assuming additional millennium bomb exposure is unappealing, particularly in information technology-intensive industries.

That said, good deals, which build leading market positions and allow economies of scale, will have little problem finding funding. The worry, though, is that recent market wobbles will fuel a euro-merger wave that does little for shareholder value. The Viag/Alusuisse combination looks a case in point. Other weak companies considering huddling together for warmth should take note from the market's appalled reaction.

Dixons/Intel

Sir Stanley Kalms is no web-head, despite Dixons' flying start on the internet. Nor does it seem his company is responsible for the slow take-up of personal computers in the UK, as Intel alleges. PCs are more expensive in the UK than the US. Quite why is a big and complex question. First, the US benefits from a huge integrated market, where the bigger economies of scale feed through to consumers. Second, it may well be the case that PCs in the UK are of a higher

Telecom Italia and ENI
Share prices relative to the Comit index



Source: Datastream/ICV

specification, possibly because UK consumers are too lazy or nervous to make their own decisions about what techie bells and whistles they want with their computer.

As to Dixons' role in this, it claims a share of the consumer market of around 15 per cent. This is hardly frightening. Dixons is also bringing prices down, starting this month with a PC just under £500. And finally, some research estimates that PCs are more expensive in the UK, whether they are purchased from Dixons, from a catalogue or through a dealer. It will be a long time before Sir Stanley is both revered and reviled as the UK's Bill Gates.

Eni/Telecom Italia

Are there no other shareholder value-minded managers in Italy? That the only way to end the farcical management infighting at Telecom Italia is to haul Franco Bernabe from his fastness at Eni, another of Italy's three largest companies, seems to suggest so. So is this a zero-sum move for Italian capitalism? Possibly not. Telecom Italia's shares have risen sharply on the news of the turnaround specialist's imminent appointment. Given his impressive record at Eni – it was alone among global oil majors in producing an increase in like-for-like first half net income – this is not surprising.

Doubts linger, however, over whether Eni is strong enough to withstand his departure. Stuck in the middle of a sector poised for dramatic restructuring, Eni's status as a semi-privatised company looks uncomfortable. Since even Mr Bernabe's ability to win approval for British Petroleum/Amoco-style deals was questionable, lesser managers may struggle to assert their independence. As a quid pro quo for depriving Eni shareholders of Mr Bernabe, the state should sell up altogether.

UK earnings

As profits warnings pile up, it seems astonishing that sector analysts are still forecasting double-digit earnings growth next year. While forecasts for 1998 have been hauled in, next year's predictions have only been tinkered with despite the worsening economic outlook. So are analysts gambling with their credibility, or is there a rational explanation? The answer is a bit of both.

Some small hope remains that this year will be the bad one for earnings. For a few big companies, this is assumed to be true – perhaps too readily. While Glaxo Wellcome does look set to bounce back from the Zantac patent expiry, the outlook for the oil majors remains less certain.

The more general argument is that profit margins should benefit from a lower pound and cost-cutting. But in a low growth, low inflation environment, damage limitation looks more likely than a rebound.

So why are analysts so tentative about cutting forecasts for 1999? FKI's statement yesterday holds a clue. It stressed the uncertainty making "accurate forecasting more difficult". Deprived of a specific steer, analysts will trim rather than slash. Companies – which may be clients – naturally prefer a gradual massaging down, helping them to avoid a formal profits warning.

But where does that leave analysts' credibility? A bit shop soiled. But then cynicism is hardly new about researchers involved on the share promotion side. Nevertheless, the better houses will at least be encouraging their sector analysts to factor in the more pessimistic views of their macro-economic colleagues. Not that reputations are in tatters. No market participant takes published forecasts 100 per cent seriously. The size of the pinch of salt shows through in the price/earnings ratio.

EU plans to cut doctors' and drivers' working hours

Hauliers and health service managers concerned about costs

By Michael Smith in Brussels and Robert Taylor in London

The weekly working hours of more than five million European transport workers and junior hospital doctors could be reduced to an average of 48 hours under proposals outlined yesterday by the European Commission.

The proposals mark the first extension of the European Union's "working time directive", and EU governments would be expected to adopt them by the end of 1999. However, junior doctors will have to wait at least seven years before the limits apply. Meanwhile, health service employers will be able to request average working weeks of 54 hours.

The Commission said the proposals would cut road deaths and improve healthcare. "Tired drivers are a menace not only to themselves but to everyone else," said Neil Kinnock, transport commissioner.

"Trucks and coaches are involved in 18 per cent of accidents in the EU. That represents some 18,100 deaths of which a fifth are directly or indirectly related to driver fatigue."

However, road hauliers said the proposals would increase costs and put thousands of jobs at risk.

The Commission's plans also caused concern for health service managers in the UK and Ireland, where junior hospital doctors traditionally work long hours.

Although the UK's Department of Health said the government was committed to a 48-hour limit for junior doctors, it said any reduction in their working time would have to be carried out carefully.

Padraig Flynn, employment commissioner, said more than 15 per cent of junior doctors in Britain worked more than 56 hours. He said a seven-year exemption to allow working weeks of 54 hours would allow countries to train more doctors and make other adjustments.

The majority of EU workers are already covered by EU legislation approved in 1993 to restrict working weeks to 48 hours, but transport workers and junior hospital doctors are exempted.

Under yesterday's proposals, road transport workers would be allowed to work for up to 60 hours in a week providing the average over four months is 48. They would be entitled to daily rest of 11 hours, with restrictions on night hours.

The Road Haulage Association in the UK said the proposed laws were tighter than those applying to other workers. It said the cost of distributing newspapers and perishable goods could rise by up to 30 per cent and 15,000 road transport jobs could be lost in the UK.

The Commission's proposals will also put into legal effect agreements between employers and unions in the maritime and rail industries for working hour restrictions.

Intel chief attacks UK high prices for harming PC sales

By Deborah Hargreaves in London and Roger Taylor in Las Vegas

US visitors often complain they pay as many pounds for things in Britain as they do in dollars at home – whether a taxi ride, a visit to McDonald's or to the theatre. Many Europeans also complain about high prices in the UK.

Yesterday, Craig Barrett, chief executive of Intel, the world's largest computer chip company, accused Dixons, the leading personal computer retailer, of charging high prices for PCs. "Dixons charges ridiculous margins and resists the low-cost PC route," Mr Barrett said when asked why personal computers had not achieved higher levels of sales in the UK.

According to a recent study, a PC that costs $1,272 in the US sells for $1,913 in the UK. In Germany, which has nine competing retailers, it costs $1,260.

Dixons says the figures are not comparable because the UK machines have higher specifications and the retail chain provides a higher level of service than other

PERSONAL COMPUTERS*

	Prices in $
United Kingdom	1,913
Germany	1,260
France	2,093
United States	1,272

*Based on a midmarket PII 333Mhz processor, 4.3Gb hard drive and 32Mb Ram.
Source: Context

international stores. Higher retail prices in the UK have led to British shoppers visiting New York for the weekend to fill suitcases with consumer items. A Sharp camcorder is available in New York at £228 compared with £250 for a similar machine at Dixons.

Shoppers say prices for items from CDs to chocolate are cheaper in the US and on the continent than in Britain. Part of the reason has been the recent strength of the pound but there is a suspicion that competition in most retail sectors is not as vigorous in the UK as elsewhere.

UK supermarkets, for example, dominate food retailing with an estimated 47 per cent of the £83bn-a-year food market. The country's leading four supermarkets are being investigated by the Office of Fair Trading to determine whether their profitability comes at the expense of customers and suppliers.

UK prices for household goods and detergents are among the highest – in some cases the highest – in Europe, according to a report by Dresdner Kleinwort Benson, the UK investment bank. Ariel, the detergent cost 6.6 euros in the UK and Germany compared with 3.9 euros in the cheapest EU country, Spain.

"The prices vary far more than you can justify in terms of cost, and the introduction of the euro will inevitably lead to some price adjustment," one of the report's authors said.

Supermarkets have started to undercut Dixons in the PC market. Analysts believe this will bring prices down in the long run. Dixons say they have led the price-cutting.

Tesco, the supermarket chain recently began selling Siemens PCs at £899. Dixons has responded with a £499 model.

See Lex

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Kenneth Starr, the independent counsel, is due to testify about the Lewinsky affair before the House today. Report, Page 4 Picture: AP

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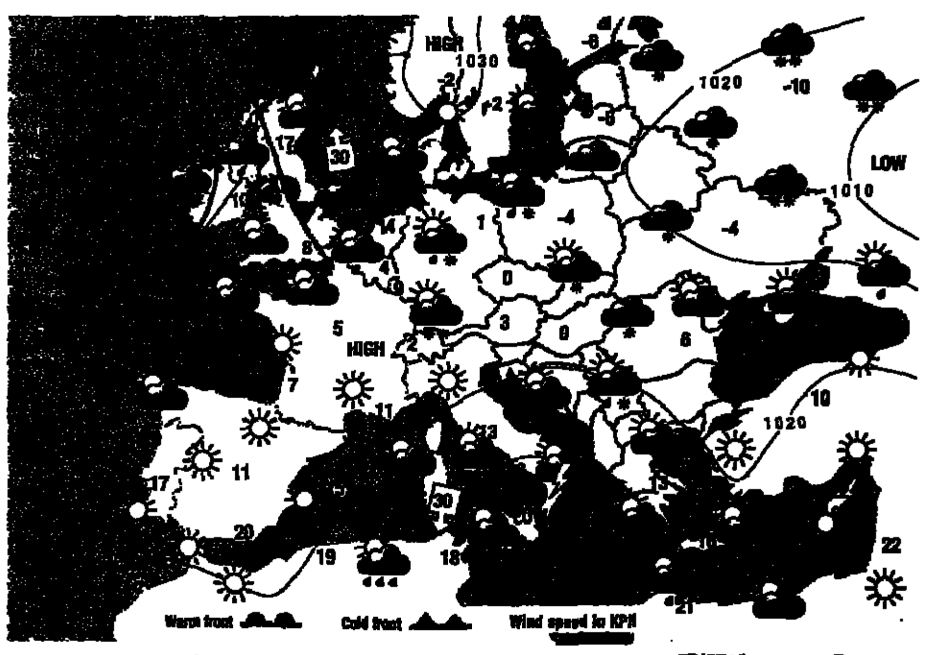
FT WEATHER GUIDE

Europe today

The central and eastern Mediterranean will be cool and showery, but the western Mediterranean will stay fine and mild. Much of north-west Europe will be dry and cold with early frost and fog, although north-west France will be milder with some rain. Central and eastern Europe, together with Scandinavia, will remain very cold and wintry.

Five-day forecast

Scandinavia will be cold at first, but mild south-westerly winds will penetrate all but the extreme east and far north by the end of Saturday. The British Isles will become milder and more changeable but remaining parts of Europe will stay cold with widespread severe frosts away from the Mediterranean.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	29
Accra	Fair	32
Algiers	Thunder	19
Amsterdam	Fair	4
Athens	Sun	13
Atlanta	Fair	20
B. Aires	Sun	22
B.ham	Fair	6
Bangkok	Rain	33
Barcelona	Sun	13
Beijing	Sun	5
Belfast	Rain	9
Belgrade	Shower	4
Berlin	Sleet	1
Bermuda	Thunder	25
Bogota	Thunder	19
Bombay	Sun	33
Brussels	Hail	4
Budapest	Fair	0
C.hagen	Fair	1
Cairo	Fair	24
Caracas	Fair	30
Cardiff	Cloudy	9
Casablanca	Fair	20
Chicago	Shower	5
Cologne	Shower	3
Dakar	Fair	28
Dallas	Thunder	26
Delhi	Sun	26
Dubai	Sun	31
Dublin	Shower	10
Dubrovnik	Shower	5
Edinburgh	Cloudy	7
Faro	Sun	20
Frankfurt	Sleet	4
Geneva	Sun	2
Gibraltar	Fair	19
Glasgow	Shower	7
Hamburg	Fair	1
Helsinki	Snow	-6
Hong Kong	Cloudy	28
Honolulu	Fair	28
Istanbul	Fair	10
Jakarta	Fair	31
Jersey	Shower	10
Johannesburg	Cloudy	22
Karachi	Sun	30
Kuwait	Sun	29
L. Angeles	Sun	21
Las Palmas	Sun	25
Lima	Cloudy	22
Lisbon	Sun	17
London	Fair	8
Lux.bourg	Sleet	2
Lyon	Fair	5
Madeira	Shower	23
Madrid	Sun	11
Majorca	Shower	15
Malta	Shower	18
Manchester	Cloudy	7
Manila	Thunder	30
Melbourne	Fair	21
Mexico City	Fair	23
Miami	Thunder	28
Milan	Sun	11
Montreal	Shower	2
Moscow	Snow	-10
Munich	Snow	1
Nairobi	Fair	25
Naples	Shower	12
Nassau	Fair	29
New York	Fair	12
Nice	Sun	11
Nicosia	Fair	22
Oslo	Sun	-2
Paris	Fair	6
Perth	Fair	29
Prague	Snow	0
Rangoon	Rain	32
Reykjavik	Shower	6
Rio	Shower	28
Rome	Shower	13
S. Frsco	Fair	15
Seoul	Fair	3
Singapore	Thunder	32
Stockholm	Snow	-2
Strasbourg	Cloudy	4
Sydney	Fair	18
Tangier	Fair	21
Tel Aviv	Sun	22
Tokyo	Fair	12
Toronto	Cloudy	10
Vancouver	Rain	9
Venice	Sun	8
Vienna	Sun	3
Warsaw	Snow	-4
Washington	Fair	16
Wellington	Fair	17
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مكذامت الأصل

FINANCIAL TIMES
COMPANIES & MARKETS

 THURSDAY NOVEMBER 19 1998 Week 47

INSIDE

Questions asked as Baan falls 80%

Baan, the Dutch developer of complex business software, has suffered an 80 per cent dip in its share price over the past seven months. Baan leads its rivals in what is a booming and lucrative market, so what is going wrong? Page 21

Bullion weakness hits gold shares

The rand's recovery against the dollar is not the only factor weighing on South African gold shares. The dollar price of gold bullion (left) has also disappointed investors. By yesterday the golds index had lost about 21 per cent since its October peak, when the bullion price hit $300 per ounce. However, analysts say gold mines will survive the rand's rebound. Emerging Market Focus, Page 40; Observer, Page 15

Shops outdo their online rivals

The limitations of online selling, as outlined in a new report, have highlighted the fact that internet retailers are yet to match traditional shops in terms of purchasing and marketing costs. Indeed traditional retailers are predicting strong sales in the pre-Christmas period. Page 20

VAW expansion plans well on track

Viag, the German conglomerate, wants its VAW unit to feature more in the aluminium sector. After a deal VAW closed in May and news this week that it was talking to Switzerland's Algroup, formerly Alusuisse, it would seem things are going well. Commodities, Page 30

Argentina launches $1bn bond

Argentina launched the biggest emerging market bond issue since the August crisis. The $1bn bond was also the first "stand-alone" emerging market bond to be issued in dollars since August. Capital Markets, Page 28

US banks fighting harder for share

This week Morgan Stanley Capital International, an arm of the investment bank, launched a euro-denominated bond index, so joining the likes of Lehman Brothers, Merrill Lynch and J.P. Morgan. US investment banks are clearly fighting harder than many of their European counterparts for market share after monetary union. Business and the euro, Page 27

Japanese bank sector sees recovery

The future for Japan's banks at last seems brighter, at least judging by the recent strong bounce in shares. While the broad market fails to impress, the banking sector yesterday ended 35 per cent up on just 10 weeks ago. Page 18

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Telefónica plans to offer bonus shares

Chairman makes surprise proposal to drop dividend payments entirely

By David White in Madrid

Telefónica, the leading Spanish telecommunications company, yesterday broke with past practice and announced plans to give shareholders bonus shares instead of paying a dividend.

Juan Villalonga, the company's chairman, said he would propose to a board meeting next month not to pay any dividend out of 1998 profits and to carry out the first of two free share issues, on the basis of one new share for every 50 held.

A second bonus distribution is expected next spring, under an authorisation granted at the company's annual meeting in June.

The announcement came after a 15 per cent rise in net profits for the first nine months and a company forecast that net earnings for the year would rise to between Pta215bn ($1.52bn) and Pta220bn from Pta190bn last year.

The plan, designed to enable the group to keep cash resources, is in line with Mr Villalonga's pledge to find alternative ways of rewarding shareholders.

However, the decision to drop dividend payments entirely came as a surprise.

Lucía Granda, analyst at Merrill Lynch in Madrid, said Telefónica had been expected to cut its dividend by about half from the previous total payout of Pta102 per share, in conjunction with a new share handout.

She said it would be the first time Telefónica had suspended dividends and the first move of its kind by a major Spanish company.

Telefónica's shares closed marginally down in line with the market trend at Pts6,270, compared with Pts6,280 on Tuesday.

In meetings with analysts this week, Telefónica predicted net profit increases of 15-20 per cent a year over the next three years, compared with an expected annual growth rate of between 3 and 6 per cent in operating revenues.

The company also made clear it planned to continue cutting jobs in response to deregulation in the Spanish telecoms market, and would set aside Pta298bn from reserves in the final quarter to cover future labour contingencies.

Telefónica's Spanish workforce is expected to be below 55,000 at the end of this year compared with staff numbers of more than 72,000 when the current programme of early retirement and voluntary redundancy began four years ago.

The company gave no figures for forthcoming cuts but said that productivity could improve from 325 to 400 telephone lines per employee by the end of 2000.

Analysts and trade union officials said this indicated a reduction of 9,000 more jobs.

Telefónica also announced that it was setting up two new separate units, one to handle its global data transmission business, including Latin America, and the other to develop internet and online services.

Pre-Christmas rush to issue bonds after US Fed's glad tidings

The markets are open again but borrowers face higher costs, says **Edward Luce**

A wide range of borrowers – including the Polish city of Krakow and the French railway authority – took advantage yesterday of the improvement in market conditions to issue bonds.

The quarter-point reduction in US interest rates on Tuesday afternoon buoyed market sentiment and helped further reduce fears about a continued liquidity contraction in the bond markets.

However, the spreads on corporate bonds – the premium at which a bond trades above US Treasury or other government bonds – narrowed only marginally yesterday. Spreads, including those on emerging market bonds, have tightened by about 25 per cent since the last US rate cut in October.

This still leaves corporate bond spreads about 50 per cent wider than prior to the Russian domestic debt default in August, which led in effect to the closure of the corporate bond markets.

So the markets are open again, but at a cost. Companies still face substantially higher borrowing costs than they did a few months ago.

"The markets had already discounted this week's US interest rate cut in advance," said Xavier Werner, head of the European bond syndicate at ABN Amro. "If the US Federal Reserve had left rates untouched then it could have had a very negative effect on sentiment."

Most bankers expect the market to continue to stabilise and liquidity to become gradually available for the less creditworthy borrowers, possibly including those rated below the investment grade threshold of BBB minus for Standard & Poor's and Baa3 for Moody's Investors Service.

Yesterday Argentina, which has a rating of BB/Ba3, issued a $1bn bond, the largest emerging market offering since August. However, there are only two or three weeks left this year for borrowers to take advantage of the renewed confidence in the bond markets and tap fresh debt. The bond market traditionally grinds to a halt by mid-December as banks and investors tidy up their books for the end of the calendar year.

Economists also warned that the outlook for the credit markets remained mixed in spite of the surge of liquidity in US and Europe. A widely forecast slowdown in economic growth rates in 1999 is expected to restrain any exuberance.

In addition, corporate earnings growth is expected to slow in the US and this could hit share prices. Credit spreads, especially in the high-yield bond markets, closely track equity prices. "Spreads in the bond markets are linked to the economic cycle," said Ifty Islam, a senior economist at Deutsche Bank. "When growth rates fall, credit spreads normally widen."

Source: Datastream/ICV; JP Morgan

But in the short-term, there is a large queue of borrowers hoping to issue bonds before Christmas. It includes Rolls-Royce and Continental AG, and several emerging market governments. Demand for new debt is expected to be underpinned by the growing mountain of cash available to investors, thanks to the large amount of redemptions of existing bonds since August and the absence of new issues to take their place.

In addition, the approach of European monetary union is encouraging Asian and other central banks to redenominate a portion of their foreign exchange reserves into the euro or into leading pre-euro currencies, notably the D-Mark. As a result Asian and, in particular, Japanese investors have provided an unusually high proportion of demand for recent bond issues, including more than 50 per cent of a DM500m bond offering by Finland this week.

The Bank of China is thought to be planning to denominate 15 to 25 per cent of its reserves in euros. This will provide a strong counter-cyclical demand base for bonds issued in euros. "The approach of Emu will keep the eurobond markets active unless there is another financial meltdown like Russia," said one bond syndicate official in Frankfurt. Bankers also said there was a strong chance in the near future of the first high-yield bond in a European currency since August.

Bonds, Page 28

AmexCo aims for Japanese brokerage arm

By John Authers in New York

American Express, the US financial services group, is applying for a licence to launch its financial brokerage division in Japan. It is part of a plan to sell US-style investment products to Japanese consumers.

James Cracchiolo, who took over as president of AmexCo's international division this year, said the move into Japan was part of an attempt to boost the share of company profits outside the US to 50 per cent over the next five to seven years. At present it accounts for about 30 per cent.

In Japan, the company will seek a licence for its American Express Financial Advisers unit, one of the largest US retail brokerages, which has increased its revenue significantly in the past two years by cross-selling by the company's flagship charge cards.

Mr Cracchiolo said AEFA would set up business under the umbrella of American Express, adding: "We'll be expanding that activity directly to Japan."

In the US, cardholders are invited to free consultations with the group's financial advisers, who sell products from a range of companies and compile financial plans for a fee. More than a third of AEFA's revenues are derived from referrals from the card business.

AmexCo is hoping to build from the strength of its brand recognition in Japan and from the demand in Japan for international investments, which they hope will be caused by the current low interest rates on traditional Japanese savings products.

Other US financial services companies have plans to sell retail investments in Japan or to provide fund management for Japanese companies. Citigroup, the result of the merger of Citicorp and Travelers Group, is aimed at cross-selling products on the back of strong international brands.

In other parts of the world, according to Mr Cracchiolo, "we are probably looking more for a targeted way to extend products such as mutual funds and insurance". The company would probably do this through other channels, including working with banking institutions.

In other countries, it is looking for cross-selling between its card business and its private bank, including a pilot scheme offering lines of credit to wealthy cardholders in Japan.

It is also continuing the aggressive strategy it launched three years ago to offer cards in partnership with banks, abandoning its longstanding policy of distributing only by direct marketing. It is focusing on corporate cards, used as an aid to corporate travel and entertainment expenses.

Yesterday it announced "co-branded" corporate cards with HSBC Bamerindus of Brazil, and this follows similar ventures with Credit Lyonnais in France, and Banco Bital in Mexico.

Japan's big trading groups post disappointing results

By Michiyo Nakamoto in Tokyo

Japan's largest general trading companies yesterday reported disappointing interim results, reflecting Asia's economic problems and difficulties in focusing on profitable areas.

They suffered large valuation losses on their securities holdings, with the aggregate losses for the top six amounting to over Y200bn ($1.6bn).

The companies are having to allocate investment funds to troubled areas such as south-east Asia, largely to guarantee loans by subsidiaries.

"These are not investments that are laying the foundations for further profits in the future," said Kota Nakako, industry analyst at Warburg Dillon Read in Tokyo.

Sales in the six months to September were down industry-wide and were particularly noticeable in the materials sectors.

Nissho Iwai saw group sales fall 2 per cent to Y4,640.3bn but pre-tax profits before exceptionals plunged 77 per cent to Y7.5bn (Y32.4bn). It blamed the sharp fall on a rise in interest costs and in investment losses. The group's net loss came to Y55.9bn, against Y13.3bn profit last time.

Yoshinori Takeda, executive managing director of Nissho Iwai, said yesterday that the company would borrow Y500bn to Y600bn from Sanwa Bank, its main bank, and others to meet redemptions of bonds and commercial paper coming due in the near term. These amount to Y530bn in commercial paper and Y100bn in corporate bonds.

Mitsubishi and Sumitomo also reported consolidated results. Group sales at Mitsubishi were down 11 per cent to Y7,046.4bn (Y7,911.8bn) and pre-tax profits before exceptionals fell 45 per cent to Y39bn (Y70.6bn).

Sumitomo suffered an 8 per cent drop in group sales to Y5,748.5bn (Y6,225.7bn), but securities sales helped lift pre-tax profits before exceptionals 23 per cent to Y33.8bn (Y27.4bn).

Euro Disney warns royalty fees will mean tough 1999

By Robert Graham in Paris

Euro Disney, operator of the Paris-based theme park, warned yesterday of tough challenges in 1999 as royalties and management fees to the Walt Disney Company begin to be reinstated and debt repayments increase.

The warning came as Euro Disney unveiled a 34 per cent increase in net income to FFr290m ($52m) from FFr217m in the year ended September, owing to a strong improvement in operating performance. Exceptional profits of FFr42m from property developments at Disney's Val d'Europe site outside the French capital also helped boost the result. Since 1994, Walt Disney – which owns 39 per cent of Euro Disney – has waived royalties and management fees to ease the financial squeeze caused by start-up problems at the theme park. These will be gradually reinstated from next year, lasting until 2003. Yesterday the company said this would cost FFr200m in 1998-99, on the basis of 1997-98 revenues.

Increased principal repayments on the underlying debt of the operating leases will also push up lease charges next year by FFr82m. Lease and net financial charges increased last year by FFr180m to FFr850m. However, borrowings remained stable at FFr15.9bn and Euro Disney retained an unused FFr1.1bn borrowing facility from Walt Disney.

The shares, which had initially climbed on the back of the results, fell back in late trading to end more than 3 per cent down at FFr8.25.

Gilles Pélisson, Euro Disney chief executive, said a combination of higher entry charges and a new attraction would help offset the extra costs. Disneyland Paris is the single biggest tourist attraction in France, with 12.5m visitors a year.

Entry fees during the high season will rise next year by FFr10 a head, to FFr220 for adults and FFr175 for children.

Total resort revenues reached FFr5.89bn against FFr5.47bn.

TELECOMMUNICATIONS JAPANESE CELLULAR PHONE OPERATOR SEES NET PROFITS MORE THAN DOUBLE

Strong market expansion boosts DoCoMo

By Michiyo Nakamoto in Tokyo

Continued strong expansion of the cellular phone market in Japan supported a buoyant interim performance by NTT DoCoMo, the dominant cellular phone operator that listed last month in the largest initial public offering in the industry.

Revenues rose 16 per cent from Y1,256.7 to Y1,462.8bn ($11.97bn). Pre-tax profits rose 42 per cent to Y233.1bn, while net profits more than doubled to Y154bn.

The company, which has more than 50 per cent of the Japanese domestic cellular phone market, increased the number of subscribers among its regional companies by 16 per cent to 20.8m and at the parent company by 15 per cent to 9.4m. This compares with a total market in June of 40m.

The group completed an $18bn IPO last month and saw its share price surge in the wake of the listing. Yesterday, the shares closed up Y20,000 at Y4.5m, against an initial offering price of Y3.9m.

The group expects to add 5.4m cellular phone subscribers in the business year in spite of a slowdown in the rate of growth of the market in Japan.

However, subscribers to DoCoMo's paging services were 26 per cent down at its nine subsidiary companies and fell 27 per cent at the parent company.

Of greater concern is the personal handyphone service business, which DoCoMo took over after its parent company, NTT, decided to close its subsidiary PHS companies.

While the fall in subscribers was not as sharp – 14 per cent for the regional companies and 13 per cent for the parent – the losses in its PHS operations were expected to total Y104bn in the current business year alone, said Keiji Tachikawa, DoCoMo's president.

DoCoMo is also likely to continue facing rising capital expenditures as a result of its efforts to launch W-CDMA, an advanced cellular phone system. In the first half, capital spending rose 12 per cent for the parent and 9 per cent for the regional companies.

In the full year, DoCoMo expects revenues to rise 15 per cent to Y3,006bn and pre-tax profits before exceptionals to fall 9.5 per cent to Y282bn (Y311.6bn). Net income is forecast to rise 43 per cent to Y172bn (Y120.6bn).

Stock market rally suggests new dawn for Japan's banks

The rise in stocks has led to questions over whether restructuring can lead to a sustained recovery, writes **Gillian Tett**

Is the outlook finally brightening for Japan's beleaguered banks? The stock market would seem to suggest so.

While the Nikkei 225, the key stock market indicator, has wallowed around 14,000 in recent weeks, Japan's banking sector has staged a striking rally. Yesterday, for example, the sector closed at 370.57 points, its highest level since early August – and 35 per cent higher than just 10 weeks ago.

This rally has been conducted on thin volumes from a very low base. But it also comes amid intriguing signs of restructuring. And with the largest banks due to start reporting their half-year results today, the question is whether this "restructuring" will be enough to end the long-running malaise dogging the sector.

There is still considerable cause for pessimism. The interims are likely to show that all the banks have enjoyed strong rises in operating profits, predicts Yoshinobu Yamada, banking analyst at Merrill Lynch. But this is largely due to high returns on their vast holdings of Japanese government bonds, which could evaporate in the second half if the bond market tumbles. And all the banks are also likely to report large losses on equity portfolios and continued bad loans write-offs.

Meanwhile, analysts' estimates of the scale of the bad loans are, if anything, still rising. Moody's, the US credit rating agency, warned this week that resolving the banking problems could require 20 per cent of Japan's gross domestic product and cited this as a key reason to downgrade Japan's sovereign debt.

The banks are poised from today to announce a wave of restructuring

Standard & Poor's, another credit rating agency, has recently announced that banking bad loans could be double the government's Y87,000bn ($726bn) estimate.

Furthermore, there is little evidence that international investor concern about weaker banks has evaporated. Instead, Japanese banks have faced such dire problems raising dollar funds towards the year end, for example, that it has caused some startling market distortions, such as negative yen interest rates.

But against this grim litany, two other factors stand out. One is evidence that the government is actually implementing part of its recently announced Y60,000bn support package for the banks.

It has already started to nationalise Long Term Credit Bank and looks set to inject public funds into the banks' capital bases soon.

Masaru Hayami, governor of Bank of Japan, has also been urging the banks to accept an injection of public funds into their capital base.

In recent days, Industrial Bank of Japan, Fuji, Sumitomo, Daiwa, Tokai and Yasuda Trust have all said they will apply for injections, ranging from Y200bn to Y500bn. Others, such as Sanwa, are expected to follow suit from today.

But secondly – and most importantly – the banks are poised from today to announce a wave of "restructuring".

Some, such as Daiwa, are streamlining their businesses by withdrawing from overseas operations. Most claim to be cutting costs in other ways as well. Sanwa is slashing bonuses this year, while Sumitomo has pledged to cut staff, and Sakura has even offered to sell its prized staff holiday houses.

A clutch of alliances has emerged. Some effectively strengthen traditional relationships in *keiretsu*, the Japanese business groupings. Sumitomo Trust and Sumitomo, for example, are collaborating more closely. But others are cutting across *keiretsu* lines. Dai-Ichi Kangyo and Fuji are merging their trust bank subsidiaries and plan to purchase the asset management business of Yasuda Trust, the ailing bank.

There is no evidence yet that the recently announced alliances will actually boost bank profitability. There is even less proof that they will quickly take capacity out of the system, given the traditionally slow pace of mergers in Japan. And the public fund injections do not, in themselves, guarantee that the restructuring will be anything more than cosmetic.

After all, the last wave of Y1,800bn public funds injections in April delivered minimal reform. And the government recently decided to soften the conditions for the new round of injections to persuade the banks to apply. A bank receiving funds with a capital ratio of more than 8 per cent, for example, need only pledge to sell unnecessary facilities, increase lending to small businesses, raise its return on equity and cut operating expenses.

But after a year of repeatedly dashed hopes for reform, the latest market rally suggests that a few investors are prepared to clutch at straws.

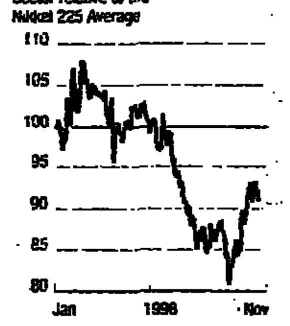
"The long awaited banking turning point has come," argues Robert Zielinksi, banking analyst at Lehman Brothers. "We strongly believe that the government will take whatever steps necessary to revitalise the banking industry."

The big danger now is that if the banks dash these reform hopes yet again this winter, the next round of share price falls could be even more devastating than the last.

Masaru Hayami: has urged banks to accept an injection of public funds into their capital bases AP

Japanese banks

Sector relative to the Nikkei 225 Average



Source: Datastream/ICV

NEWS DIGEST

AIRLINES

Qantas falls after warning on profits

Qantas Airways shares fell 10 cents to A$2.46 yesterday after Gary Pemberton, the national carrier's chairman, warned it may not be able to match last year's A$304.8m ($170.3m) profit. Asia's economic crisis had resulted in heavy price competition, especially in the Asia to Europe routes, he said. As Intra-Asia flights were cut and intercontinental flights increased, price competition was accelerating on Qantas' traditional long-haul "kangaroo route" to Europe in particular.

Mr Pemberton said he was not expecting any recovery in business soon. Recovery would take some time and there would be "no miracle U-turn", he said.

Qantas will refocus on cost reduction and improved efficiency to boost profitability. Already, the airline has rationalised its services to south-east Asia and Japan and it ended services to Korea earlier this year.

It expects to complete the third stage of its competitive tendering for aiport services in Darwin, Adelaide, Canberra and two other regional terminals by the end of this year.

James Strong, managing director, said the possible acquisition of a part of Thai Airways by Qantas had been delayed and that the Thai government was now appointing financial advisers. **Stephen Wyatt, Sydney**

LEASING

Orix lifted by investments

Orix, the Japanese leasing company, yesterday reported consolidated net profits of Y12.2bn ($101.7m) for the first six months of this year, up 16 per cent on the same period last time on revenues up 35 per cent from Y222.4bn to Y300.5bn.

The company said revenues were boosted by a sharp rise in interest receipts from loans and securities holdings as well as a jump in revenues from life assurance policies and the investment of those funds.

Koichi Maki, senior managing director, said the company had reported all-time high first half pre-tax profits for four straight first halves, supported by a strong rise in operating income. "The rise in income from our life insurance operations was notable, as it almost doubled," he said.

Mr Maki said Orix cut net profit forecast for the year to March from Y30bn to Y25bn due to the continued uncertainty over prospects for earnings of its Asian leasing joint ventures.

"We have limited opportunity to launch new leasing business in Asia since the Asian currency crisis occurred," he said. "As earnings of our Asian affiliates have remained unexpectedly weak, we cut the net profit forecast."

On an unconsolidated basis, pre-tax profits fell 45 per cent from Y15.7bn to Y8.55bn. Sales totalled Y375.3bn, up 11 per cent on a year ago.

Orix also announced that it was to absorb its subsidiary Orix Interior, a carpet maker, on April 1. The merger ratio will be one Orix Interior share for 0.02 Orix share.

Orix Interior, which is listed on the second section of the Osaka securities exchange, said it would transfer all operations, assets and liabilities except those in its finance division to a wholly owned subsidiary on March 31. The OSE suspended trading in Orix Interior shares following the news. **Agencies, Tokyo**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

CONTRACTS & TENDERS

NORTHERN DEVELOPMENT COMPANY

on behalf of the North of England Development Agency

wish to commission consultants to assist with the development of a Regional Economic Strategy.

A brief for the proposal is available on request from:
Phil Shakeshaft
Director of Corporate Affairs at NDC
email: rachael_keall@nordev.co.uk
Telephone: (0191) 204 2203
Fax: (0191) 201 2021

CONTRACTS & TENDERS

ETBA Finance

ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT

FIRST PUBLIC TENDER FOR THE SALE OF THE ASSETS OF "GREEK OPTICS INDUSTRY S.A." distinctively entitled "EL.VLOP DIMOSYNETERISTIKI S.A." NOW IN LIQUIDATION

[illegible]

Activity and Summary data on the Company

[illegible]

Terms of the Announcement

[illegible]

In order to obtain the Offering Memorandum and for any additional information, please apply to the offices of the liquidator ETBA FINANCE Economic & Financial Services S.A. 1 Eratosthenous & Vass. Constantinou Str. (4th Floor), Athens, Tel. (301) 7260210, (301) 7260258, (301) 7260508 and Fax (301) 7260864 (Mr. Papadimitriadis and Mrs. Anagnostopoulou)

LEGAL NOTICES

OSIRIS INSURANCE LIMITED (formerly ORION INSURANCE (GENERAL) LIMITED) and ORION INSURANCE (GENERAL) PLC

[illegible]

LEGAL NOTICES

HUNTSMAN CORPORATION EUROPE LIMITED

[illegible]

HAMLET INTERNATIONAL PLC

[illegible]

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

IN THE MATTER OF BELGO GROUP PLC

[illegible]

NICHOLSON GRAHAM & JONES

[illegible]

هكذا من الأصل

INTERNET: BROADBAND DATABASE CREATED

3Com plans high-speed access on PCs

By Roger Taylor in Las Vegas

3Com, the leading manufacturer of computer modems, is drawing up plans to bring simple "plug-and-play" high-speed internet access to the personal computer market.

The company has worked with cable TV companies and telephone companies to create a database of available broadband internet access services in the US. These services allow computers to connect to the internet at speeds between 30 and 300 times faster than most modems used today.

3Com plans to make the database available to direct computer sales companies so that, when customers call, they can instantly establish whether there is a high-speed internet service in their area. They will then be able to instal the appropriate modems and software before shipping the computer. The aim is to ensure that the buyer need do little more than plug the computer in to get high-speed access to the internet.

The news comes just days after Compaq, the largest manufacturer of PCs in the world, announced that it would sell PCs with high-speed DSL modems for as little as $1,599.

Analysts say broadband access to consumers will transform the popularity and usefulness of the internet.

John Doerr, the technology venture capitalist, recently said widescale broadband internet access was one of the most important technological moves of 1999, saying most people did not grasp the impact it would have. He said internet use doubled in homes with broadband access.

William Markey, director of 3Com's cable modem business said that broadband access would make "surfing the internet become as easy as switching TV channels".

Broadband will also greatly improve the transmission of sound and video over the internet.

3Com is using its database of broadband services to promote its new cable modem and DSL modem to computer makers. The database will also include information from 3Com's customer database, allowing cable TV and telephone companies to identify which of their customers already use a standard modem and are therefore likely to want to upgrade to the new service.

Italy hopes new brooms will calm its corporate giants

Franco Bernabé and Vittorio Mincato face great expectations in their new posts at Telecom Italia and Eni, writes **Paul Betts**

The boards of Telecom Italia and Eni, Italy's two largest companies in terms of stock market capitalisation, are today set to appoint new chief executives with a view to restoring stability at the troubled telecommunications group while ensuring continuity at the oil and gas conglomerate.

In the most significant top management shake-up in the country's recent corporate history, Franco Bernabé, Eni's chief executive, is to take over at Telecom Italia and is expected to be replaced at the helm of Eni by Vittorio Mincato, head of the oil group's chemical operations.

Mr Bernabé is regarded as one of Italy's top corporate turnround men. When news of his imminent move was leaked last week Telecom Italia shares rose 5 per cent, an eloquent indication of the relief of investors that finally a solution had been found to the company's deepening problems.

The 50-year-old railway worker's son will be taking over at Telecom Italia at a time when the company's external credibility is rock bottom and internal morale is at an all time low.

Massimo D'Alema, the Italian prime minister, has already given his formal blessing to the management reshuffle, reflecting the importance the government attaches to a rapid resolution of the crisis – some would say "corporate soap opera" – at Telecom Italia.

As an economist, Mr Bernabé worked at the Organisation of Economic Co-operation and Development (OECD) in Paris and spent a stint at Fiat, where he was at one time tipped to head Italy's other corporate heavyweight. He subsequently joined Eni where he led the oil group's recovery.

Telecom Italia has lacked stable top management for nearly two years, after a rapid succession of chairmen and managers. Its privatisation – "the mother of all privatisations" it was dubbed - was hasty and ill-conceived, and there has been no cohesion among new private core shareholders.

Mr Bernabé will not have an easy task; nor is he guaranteed to succeed. But there are some similarities to his appointment in 1992 as Eni's chief executive. The oil group was at the time in disarray. Caught up as one of the lead players in the *tangentopoli* political corruption scandal, morale plummeted.

Franco Bernabé: one of Italy's top corporate turnround men AP

Mr Bernabé, who said at the time he was like a father who discovered his children were all heroin addicts, set about a sweeping and successful restructuring. He sacked executives and refocused the group, masterminding the sale of four successive tranches of the state's shares in the company, and even in the current difficult low oil price environment managing to continue churning out strong earnings.

Mr Bernabé's new appointment is understood to have led to an internal power struggle among Telecom Italia shareholders. A group close to Mediobanca, the Milan investment bank struggling to maintain its waning hold on Italian finance and blue-chip industry, had pressed for a candidate – Stefano Meloni of the Eridiana-Beghin Say agribusiness – close to its fold.

But it was outgunned by the combination of the Fiat Agnelli family, the Treasury and other important shareholders such as Alessandro Profumo, chief executive of the Unicredito banking group and a leading member of the Telecom Italia committee to search for a new chief executive.

Apart from the task of restoring morale and credibility to the group, Mr Bernabé will also inherit a string of unresolved problems at Telecom Italia. These include future international alliances after the collapse first of an ill-fated strategic partnership with AT&T of the US, and then with the UK's Cable and Wireless.

Telecom analysts yesterday said he would have to decide whether to opt for a "mega global alliance" or pursue the company's existing strategy of sectorial or product-based partnerships.

Telecom Italia will also have to define its new multimedia strategy in which it has already invested about L1,500bn ($907.8m) not to mention the future of its Italian fibre-optic "Socrate" cabling programme that has absorbed so far nearly L3,000bn of investments and its controversial cordless phone system called Dect.

Mr Mincato's appointment to replace Mr Bernabé is still a delicate issue in that Eni, 37 per cent owned by the government, is having to navigate a difficult course in the depressed international oil market at the same time as bracing itself for the liberalisation of the domestic gas market – a traditional cash cow for the Italian company.

Mr Mincato would flank Guglielmo Moscato, Eni's chairman, an experienced international oil man who formerly headed Agip, the company's main petroleum subsidiary.

Although there were some last-minute attempts to seek a company outsider to replace Mr Bernabé, these manoeuvres against an internal solution appeared to have failed yesterday, especially since the arrival of an outsider risked unsettling the company and provoking internal strife.

See Lex

Competition watchdog puts brakes on UBS

By William Hall in Zurich and Clay Harris in London

Efforts by UBS, the Swiss banking group, to achieve rapid cost savings by rationalising its domestic retail network have been threatened by the Swiss Competition Commission, which is concerned about the closure and merger of branches earmarked for sale to possible competitors.

The competition watchdog has ordered UBS to halt further closures or mergers involving 25 branches that have to be sold as a condition of the official approval of its merger with Swiss Bank Corporation. It has also ordered the bank to reverse measures which might affect the future viability of the branches involved.

The authorities want to use the sale to encourage the creation of a strong competitor. They hope the branches, widely spread throughout the country, will be sold as a single unit and provide a basic network for a new entrant or help a smaller bank to strengthen its position. But Deutsche Bank, once considered a likely purchaser, has signalled it is not interested.

The branches are supposed to have a well-established retail banking client base. However, rationalisation of the UBS network means that clients are already being transferred to other branches and computer systems are being integrated.

UBS is expected to challenge the decision. It said amalgamation was taking place by region and, in view of the year 2000 technology issue, could not be postponed.

● UBS told shareholders this week that it remained committed to investment banking, underlining the "strategic importance" of increasingly important links between Warburg Dillon Read and the group's private banking activities.

The statement indicates that the internal debate over WDR, which reached its height after UBS announced a SFr950m ($692m) charge relating to Long Term Capital Management, has been resolved for now in favour of the status quo.

UBS, however, also signalled the imposition of tighter controls at WDR and left open the possibility of cost cuts and the withdrawal from some activities.

WDR was reviewing businesses to "ensure focus on its core competencies and the efficient allocation of financial, personnel and infrastructural resources based on rigorous criteria".

Panama power arms fetch $301m

By Emma Griffiths in Panama City

Enron, AES Corporation, Hydro-Quebec and Coastal Power have agreed to pay $301m for stakes in Panama's four electricity generating companies. The companies were formed earlier this year after being split from Panama's state power company.

Just four bidders took part in yesterday's sale out of 26 pre-qualifiers, but the winning bids were comfortably above the government's reserve price of $206m. The sell-off completes Panama's electricity privatisation.

Stakes in the three distribution companies were sold in September to Union Fenosa and Constellation Power also for $301m. Transmission will remain in the hands of the state.

Enron of the US will extend its influence in the region by paying $92m for a 51 per cent stake in the thermal generator Bahia las Minas. It already has interests in Guatemala, Nicaragua, Puerto Rico and the Dominican Republic.

David Haug, Enron managing director, said: "We are very impressed by the strength of Panama's economy and its prospects. We see the opportunity to invest in this plant to make it cleaner and more efficient which is exactly the kind of situation we looked for." Mr Haug said Enron would be investing $80m in the plant in the next year in addition to the purchase price.

In a joint bid with Coastal Power of the US, Hydro-Quebec of Canada will pay $118m for a 49 per cent stake linked with management control of Fortuna, the largest of the generators. Hydro-Quebec already runs generators in Costa Rica and Haiti with other power interests in Mexico.

AES Corporation, also of the US, agreed to pay $91.7m for the same stake in the other two hydro-electric plants, Chiriqui and Bayano.

Reyaz Ahmad, of the International Finance Corporation which advised on the sale, said: "If you look at the aggregate value that's been generated, both in the distribution and the generation and including the transfer of debt then you're looking at roughly $1.3bn which is a very satisfactory outcome."

Busy check-outs on main street outshine online retailers

Internet retailers have yet to match traditional stores in terms of purchases and marketing costs, writes **Richard Tomkins**

US retailers have been reporting mixed results for their third quarter to October, but are looking forward to strong sales in the crucial Thanksgiving to Christmas period – especially after Tuesday's cut in interest rates.

"Everything is pointing towards a very healthy, profitable Christmas season," says the National Retail Federation, an industry body.

"The economic fundamentals people look at – the job market, wages, inflation, interest rates – are all very positive, and we think the consumer confidence figures coming up are going to show an increase."

The US retail industry is heavily burdened by overcapacity, and there are worries that any slowdown in the US economy could be accompanied by a slump in retailers' profits as consumers rein in their spending.

At this time of year, retailers are typically over-optimistic about the Christmas spending outlook and order too many goods. They then have to mark down prices to clear their inventories, resulting in weak profits.

However, the National Retail Federation says that, in spite of the economic uncertainty created by global financial crisis and steep falls in stock prices, the last quarter had been much better than many analysts had predicted.

"Retail sales for last month were very good. In general, the industry did fairly well. So we're looking for a very positive holiday season," it says.

'Everything is pointing towards a very healthy, profitable Christmas season,' says the National Retail Federation

Separately, a report from Boston Consulting for shop.org, a trade association for online retailers, says internet retailing would set new records this Christmas.

It predicted that online retailers' revenues for the full year would reach $13bn, or 0.5 per cent of US retail sales – more than most other recent studies have predicted.

However, the report also indicated the limitations of internet retailing.

Some 80 per cent of these online revenues, it says, came either from sales of computer goods, or from travel, entertainment or discount broking – categories not normally regarded as part of the retail sector.

The report says only 5 per cent of people who visited retail sites ever became customers, and only 1.6 per cent of total visits resulted in purchases.

It also highlights the underlying reason why Amazon.com and most other online retailers remain unprofitable. Marketing and advertising costs came to $26 per sale, it says, compared with $2.50 for traditional stores.

The NRF says: "Internet retailing is definitely important. It's definitely going to grow. But it's never going to replace bricks-and-mortar retailing.

"What will happen is that main street retailers will use it as just another channel to get their products to consumers, particularly those in areas where they don't have stores."

Tidings of comfort and joy

Third quarter results

Company	Sales ($bn) 1997	1998	% change	Net profit (loss), $m 1997	1996	% change
Wal-Mart Stores	33.5	28.8	16	1,009	792	27
Sears Roebuck	9.7	9.8	0	44	353	-88
Home Depot	7.7	6.2	24	392	236	66
Kmart	7.6	7.3	4	38	18	111
JC Penney	7.5	7.4	1	186	113	65
Dayton Hudson	7.3	6.6	10	182	160	14
Fed Dept Stores	3.6	3.7	-3	87	105	-17
May Dept Stores	3.1	3.0	4	130	120	8
Gap	2.4	1.8	36	238	165	45
Toys R Us	2.2	2.1	1	(475)	46	n/m*
The Limited	2.0	2.1	-3	39	80	-51

Source: company reports * n/m: not meaningful

Most of the large traditional retailers – including Wal-Mart Stores, the world's biggest retailer – already have online stores, but so far they account for an insignificant proportion of sales. They are seldom referred to in the companies' quarterly results.

In the quarter to October, Wal-Mart's profits soared past the $1bn mark as the company continued its remorseless expansion across the US and converted more of its existing discount stores to Supercenters, selling food as well as general merchandise.

Other discount retailers did well, too. Kmart, Wal-Mart's struggling rival, managed to improve on the prior year's meagre profit, and the Target division of Dayton Hudson showed a double-digit pre-tax profit increase.

The news was less encouraging from department store groups, most of which were hit by weak demand for clothes. They blamed unusually warm weather, which reduced sales of winter merchandise.

Still, not all clothing retailers did badly. A notable exception was Gap, which saw sales rise by 36 per cent and profits by 45 per cent at its Gap, Banana Republic and Old Navy stores, thanks to attractive assortments of clothes that left little need for markdowns.

Analysts say the fact that sales of general merchandise and consumables were strong indicated that underlying consumer demand was high, but they remain cautious about companies going into the Christmas season with large inventories of unsold winter clothing.

Chambers of commerce start internet service

By William Lewis in New York

A new online internet-based service, aiming to link businesses around the world which want to trade with each other, is to be launched today by a consortium of chambers of commerce and other business groups.

Businesses that are members of a chamber of commerce signed up to the new club, will be able to e-mail details of products and services to other members of the so-called e-Club.

e-Club is described as a "targeted internet advertising medium, combined with interactive e-mail restricted to customers who are prescreened by chambers of commerce".

Industries such as the US motor industry have already set up industry-specific electronic commerce services, but e-Club – launched today – is said to be one of the first cross-industry global services.

Electronic commerce is becoming an increasingly important way of doing business in many global industries, but concerns remain about leaks of confidential information.

However e-Club aims to offer its members a secure exchange of business information through issuing digital certificates to members and using IBM's encryption technology.

e-club will be part of the World Chambers Network, an internet service set up by chambers of commerce groups from around the world, including the International Chamber of Commerce and the Paris Chamber of Commerce & Industry.

Details of products and services offered by an e-Club member will be e-mailed to other members with matching needs. For example, a company that manufactures radios will be able to offer them to prospective buyers and receive offers from component manufacturers.

WCN already provides three other services. They include the Global Business eXchange, which allows members to list business opportunities on a global database.

Earlier this month full production at the Automotive Network Exchange started. Sponsored by the Automotive Industry Action Group, a US industry association formed by the big three carmakers and their leading suppliers, ANX hopes to enable US carmakers and suppliers do business more easily and cheaply.

The aim has been to create a virtual private communications network in which accredited participants can exchange anything from complex Cad-Cam drawings to e-mail. While based on internet technology, ANX has been designed to provide superior levels of performance, security and reliability.

Forecasters at odds over future profits

By John Labate and John Authers in New York

An unprecedented gap has grown in the past few weeks between Wall Street equity analysts' forecasts for corporate profits next year and those of economists and strategists responsible for deciding asset allocations.

The disparity is alarming for strategists because attention has shifted to the outlook for corporate profits in the wake of the Federal Reserve's interest rate cut earlier this week.

According to Peter Canelo, strategist at Morgan Stanley Dean Witter, the difference in forecasts has doubled in the last year. At this point last year the gap was 7.6 percentage points (7.1 per cent from top-down strategists against 14.7 per cent from stock analysts), while a year earlier the gap was 7.7 percentage points (5.9 against 13.6 per cent). This year, on his estimates based on figures from IBES, the research company, the gap is 14.1 per cent.

Other research organisations agree. According to Boston-based First Call, equity analysts are predicting an increase of 19 per cent next year in the profits of the S&P 500 companies next year, compared to 4.4 per cent predictions from their colleagues working on asset allocation.

"Bottom-up" analysts, who have an incentive to be optimistic about the stocks they cover, often have stronger predictions than "top-down" strategists. But Charles Hill, research director at First Call, says the gap has more than doubled over the year.

He said the prospective price-earnings ratio on the S&P 500 for the next year is 23.6, which is almost back to the record valuation of 23.9 reached at the end of June.

Economists give strong fundamental reasons for being worried about profit growth. William Cheney, chief economist at John Hancock in Boston, said: "I think the US stock market is very vulnerable over the next year or two just because of the outlook for earnings. In an environment where it seems that most companies can't raise their prices and there's a squeeze on labour costs it seems profits have nowhere to go but down."

But Mr Canelo said the main reason economists were much less optimistic than equity analysts was their failure to factor in several "non-recurring losses" that hit the US corporate sector this year. He estimates these to be between $10bn and $12bn.

According to Mr Canelo, one-off factors depressing profits this year included the General Motors strike, the drop in oil prices, and the widespread write-offs by international banks after the Russian financial crisis.

He cited the strong growth in monetary aggregates, saying: "This is the strongest money supply growth in 11 years so this does not point to a slow-down."

Corporate profits are now watched more closely because the rebound of the last few weeks is believed to have been driven by interest rate factors and the mid-term election results rather than corporate fundamentals. The Federal Reserve indicated on Tuesday that there would probably not be any more rate cuts.

John MacNeil, equity strategist at Salomon Smith Barney, said: "The Fed has set us up for a soft landing. As long as that's the case, investors are willing to trade at current levels with interest rates where they are."

If earnings do not increase, hopes will focus on a steady increase in the price-earnings multiple that investors are prepared to pay. Some strategists remain convinced that multiples will continue to rise.

Ralph Acampora, chief technical analyst at Prudential Securities, who was a key figure in the summer downturn when he suddenly lowered his forecasts, said this week that he had been wrong. He suggested that investors born in the post-war "baby boom" were saving heavily for retirement and would continue to feed this bull market.

TPSA gains as flotation is completed

By Vincent Boland in London and Christopher Bobinski in Warsaw

Shares in Telekomunikacja Polska SA (TPSA), Poland's national telecommunications operator, jumped 11.2 per cent when trading began on the Warsaw stock exchange yesterday as the biggest stock market flotation in central Europe was completed.

The shares had been offered to institutional investors in Poland in a global offering at 15.2 zlotys each and they ended a hectic trading session at 16.9 zlotys. The opening-day premium was slightly above expectations and went against the trend on the Warsaw bourse, which closed 1 per cent lower.

At the offer price, TPSA was valued at $6.8bn, making it the largest company on the Warsaw exchange and raising the total market value of all Polish listed stocks by 50 per cent to $20bn.

It also marks Poland's largest initial public offering, eclipsing that of the KGHM mining group in 1996.

TPSA's global depository receipts, sold to international investors in the offering, comprise the biggest GDR issue on the London stock exchange and raised nearly $700m for the Polish government.

Among the international investors to take a stake in TPSA was the European Bank for Reconstruction and Development, which said yesterday it had bought 8.1 per cent of the total offer, giving it a 1.21 per cent stake in the company. The bank said it would remain an active minority investor to support the company's restructuring efforts.

The flotation of 15 per cent of TPSA, which was arranged by Schroders, the London-based investment bank, paves the way for the second stage of its privatisation next year, when a stake of up to 35 per cent is expected to be sold to a strategic investor.

The IPO also caps a year of heavy telecoms transactions in the equity new issues market, which has seen the flotation of France Telecom and Sonera of Finland and a series of secondary offerings in the sector. Its listing suggests demand for telecoms stocks, even from otherwise hard-hit emerging markets, remains strong because of the sector's growth potential.

The company made a profit of 713m zlotys ($205.6m) in the first nine months of this year on revenues of 7.4bn zlotys, and it faces huge infrastructure spending costs over the next few years as it seeks to increase telephone density in Poland from its current level of 20 lines per 100 people.

TPSA will also lose its monopoly position next year as a supplier of long distance telephone links and of international calls in 2003.

New merger talk lifts drug groups

By David Owen in Paris

Shares of Sanofi and Synthélabo surged yesterday on a revival of rumours that the two French pharmaceuticals groups were planning to merge.

Sanofi closed up FFr39, or 4.1 per cent, at FFr999, and Synthélabo up FFr32, or 3.0 per cent at FFr1,110. This compared with a 0.3 per cent advance for the benchmark CAC 40 index.

Sanofi, with 1997 turnover of FFr25.7bn ($4.6bn) is the second-largest French pharmaceuticals group. Synthélabo, with 1997 sales of FFr11.7bn, is the third biggest.

A report in Le Figaro, the French daily newspaper, suggested the two groups were studying moving their pharmaceuticals assets into a new holding company. It indicated this would be owned about 36 per cent by Elf Aquitaine, the oil group which is Sanofi's majority shareholder, and about 20 per cent by L'Oréal, the cosmetics group which plays the same role at Synthélabo.

Neither Sanofi nor Synthélabo would comment on yesterday's rumours, which stemmed from the newspaper report.

Such a deal would create a more powerful French participant in the fast-consolidating world pharmaceuticals sector. It would also comply with the wishes of Jean-François Dehecq, the Sanofi chairman, to join forces with another company of similar size rather than be swallowed by an industry giant.

However, analysts warned that a tie-up could be negative for shareholders. This was because both shares were trading at high price/earnings multiples, whereas the speculative froth would disappear after any merger announcement.

Analysts also warned that a tie-up between the two would be unattractive from a geographical perspective. It would not significantly enhance the muscle of either group in the important US market, while putting the onus on managers to look for cost savings in France – a country where these are notoriously difficult to achieve quickly.

"On paper, it is not very exciting," said Philippe Cottet, an analyst with Crédit Lyonnais Securities in Paris.

Philippe Jaffré, Elf Aquitaine chairman, confirmed in September that the oil group would still welcome a tie-up between Sanofi and another pharmaceuticals company. It first indicated it was ready to sell part of its holding as long ago as December 1996.

SEB joins Baltic banking alliance

SEB, the Swedish bank, yesterday took minority stakes in a Baltic alliance covering Estonia, Latvia and potentially Lithuania, Reuters reports from Stockholm.

In the latest bout of financial restructuring sweeping the Nordic region, SEB said it was taking a 32 per cent stake in Estonia's Uhispank and a 36 per cent stake in Latvia's Unibanka. It said it was also holding talks with Lithuania's Vilniaus Bank – which has been developing a Baltic partnership with the other two – and that decision was expected in weeks. Vilniaus said a strategic stake of more than 25 per cent was under discussion.

All three of the Baltic banks rank second in their home countries. The combined investment for SEB so far, through a combination of share issues and convertible subordinated loans, was SKr800m ($99.4m). "These partnerships are in line with our strategy to develop SEB into the leading financial services institution in Northern Europe, which includes the Baltic countries," said Lars Thunnell, SEB president and chief executive.

Analysts were divided on whether the move, which follows a thwarted bid by SEB for Hansapank, Estonia's biggest bank, could speed up a merger between the three Baltic banks.

SEB said it was not planning to raise its stake in the two banks and had no plans to merge the three. But Latvia's Unibanka said the deal was a step towards a merger.

The acquisition was a small one for SEB, whose market capitalisation is SKr52bn. The low price reflected the banks' exposure to Russia, an important Baltic trading partner. SEB said the acquisition would be slightly positive for its earnings per share ratio.

The announcement follows a long battle for control of Estonia's Hansapank, which SEB lost in September to its Swedish rival, Swedbank. Last week, Sweden's Handelsbanken lost its bid for Norway's Fokus Bank to an offer from Denmark's Den Danske Bank.

Dutch software group seeks a way back from hard times

Baan Company is responding to investor concerns after a slump in the share price, write **Gordon Cramb and Christopher Price**

When Tom Tinsley was appointed chairman of Baan Company in July, the Dutch group, which develops business software, pledged a clearer corporate structure and closer attention to investors' concerns.

An 80 per cent slump in the share price of Baan over the past seven months, however, compounded by a recent profit warning and restructuring, reflects investors' doubts that this can be achieved.

Yesterday, the gloom deepened as Baan's shares slumped Fl 4.30 to Fl 21.10.

Baan specialises in complex business software called enterprise resource planning (ERP) systems, a market estimated by AMR Research to be worth $14.8bn this year, and forecast to grow at a compound annual growth rate of 37 per cent over the next five years, reaching $52bn by 2002.

Jan Baan, one of the group's two founders, confirmed the healthy trading conditions earlier this year, forecasting that Baan would continue to outpace the market, whose growth he put at between 40 and 50 per cent a year. Indeed, SAP and Oracle, two of Baan's competitors, have both delivered strong results recently.

So what has gone wrong for Baan?

The former star of the Amsterdam and Nasdaq stock markets blamed its profit warning in part on the global economic downturn affecting purchasing decisions by its customers.

With the average Baan ERP order costing $160,000, concern over the economic outlook has prompted postponement of orders, according to the company.

When Mr Tinsley, a former McKinsey consultant, took over, the shares were already down to Fl 77.

The Fl17.30 worst price of a month ago followed a warning that dozens of significant orders had failed to materialise, and that no clear improvement could be expected next year.

Baan said the millennium problem affecting computers meant potential customers were postponing commitments while fixing their existing systems.

It was for these reasons Baan said third-quarter net losses amounted to $31.7m, compared with earnings of $18.3m in the same period of 1997. However, analysts point to more fundamental reasons for investor disquiet at Baan. Chief among these are its shareholding structure, and how to manage the group after a period of strong growth.

Baan has been run by the two founding brothers, Paul and Jan Baan, since the 1970s. Paul also heads Baan Investments, recently renamed Vanenburg Ventures, which controls a large minority of Baan stock.

Investor concern over this was one of the reasons for Mr Tinsley becoming chairman and the two brothers moving to non-executive roles. However, Mr Tinsley's move awaits ratification by shareholders. They had been promised an extraordinary meeting this autumn.

Institutions objected at the annual meeting to Baan's opaque arrangements with related resellers of its products.

The Baan brothers, though less involved, officially retain their directorships. The company expects further changes to take place at next spring's annual meeting.

There were also worries over the direction of a group seen increasingly as unwieldy and unfocused following its rapid growth, partly from acquisitions.

"Baan has become an organisation with separate sales forces for separate unintegrated products," says John Delbridge of Salomon Smith Barney in New York. He notes that operating expenses last quarter rose 57 per cent to $151m, against a 13 per cent rise in revenues to $195m.

Acknowledging this, the company said job cuts among its 6,000 workforce would fall largely in sales and marketing, where it employs up to 2,800. The move will see Baan try to focus its sales force around more integrated products.

This streamlining will be helped by a tie-up agreed last month with Microsoft, producing a package deal for software that businesses might otherwise need to assemble from up to five separate sources. Mr Tinsley expects this to generate as much as 40 per cent of Baan's licensing revenue in future years

Ron Belt, analyst at ABN Amro in Amsterdam, says Baan's restructuring comes at a time when the ERP market is changing rapidly.

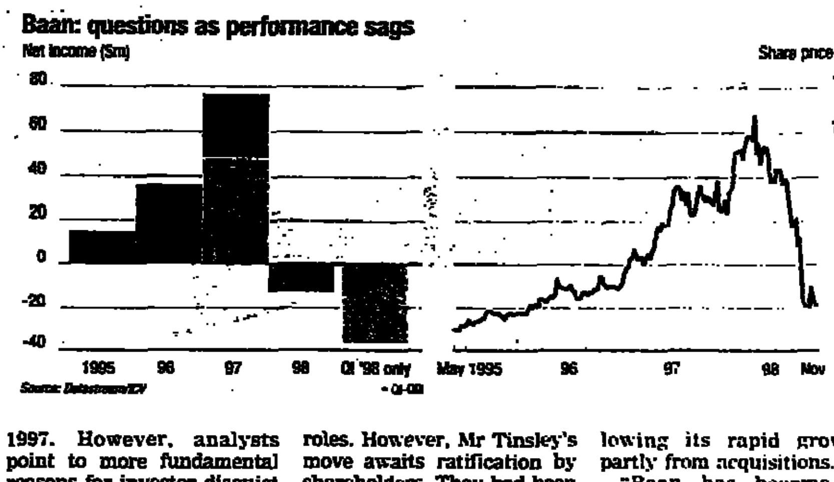
"This sort of software used to be bought in bulk, but now people are buying smaller and expanding later."

For institutions, the other core issue still to be addressed is the promised strengthening of the supervisory board. Mr Tinsley says: "We do need to, and we are going to."

Along with that, management has to see through the job cuts programme, addressing the bottom line while refreshing its product range.

Analysts believe the next two quarters will be crucial to Baan's recovery.

Baan: questions as performance sags



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RETAILERS DIFFICULT CHRISTMAS TRADING PERIOD EXPECTED

Safeway falls 18% and warns of slowdown

By Peggy Hollinger

Safeway, the UK's fourth largest food retailer, yesterday sounded a warning note over expectations for Christmas in the normally resilient food sector, as it reported an 18 per cent drop in first-half profits.

"We expect the important Christmas period to be more challenging for this sector this year than for many years," said Colin Smith, chief executive.

His warning follows comments last month from J Sainsbury, the UK's second largest food retailer, that consumers were showing signs of trading down.

The statements have fuelled fears that the food sector may be less resilient in the face of the current consumer slowdown than it has been in the past.

However analysts were confident that although the slowing economic climate was clearly affecting spending, Christmas would still happen for food retailers. "It will not be a great Christmas, but it will not be hell," said one analyst.

Safeway was confident that it was well positioned for Christmas. The group reported better than expected current sales growth of about 5 per cent on a like-for-like basis for the last five weeks.

The trend showed a minor acceleration on the like-for-like increase of 4.7 per cent achieved in the first half and helped to fuel a 14½p rise in the shares to 290½p.

Mr Smith said the underlying sales growth showed that Safeway was significantly outperforming the industry by almost 2 percentage points, although the increase was compared with a relatively low base last year.

"We are running at a realistic rate to achieve our target of adding £1bn in sales over three years," he said, although the decline in inflation meant it would have to work harder to win the sales volumes.

Mr Smith also said there was no sign of a sales decline following the withdrawal of Safeway's loyalty promotion, which gave customers more bonus points to redeem for products, depending on the level of spending.

Analysts were less optimistic that Safeway would be able to meet its targets, however. "To get anywhere near them, they will have to maintain sales trends of about 2 points ahead of the industry for the rest of the period," said one. "And it will be difficult for them next year, against the strong volumes achieved on the back of their promotions."

The group reported pre-tax profits down from £228.8m to £187.4m for the 28 weeks to October 10, on overall sales 7 per cent ahead to £3.97bn.

Mr Smith said the profits decline was in part because of the investment in staffing, product availability and marketing promotions.

Net margins improved from 5.3 per cent to 5.5 per cent.

Abbey buys three NatWest businesses

By Christopher Brown-Humes and George Graham

Abbey National took a big step towards becoming the UK's leading consumer finance house yesterday when it agreed to buy three businesses from National Westminster Bank for £347m ($583m).

The acquisition will lift its share of the consumer credit market to nearly 10 per cent, giving it a leading position in motor finance, household improvement and finance via retailers.

It is buying Lombard Motor Finance, Lombard Tricity Finance, and Lombard Business Equipment Leasing. They made pre-tax profits of £31m in the first nine months of 1998 on assets of £4.3bn. A goodwill write-off of £140m-£150m is likely.

The purchase further reduces Abbey's dependence on the mortgage and savings market, taking it nearer its target of deriving 60 per cent of profits from its other businesses.

Tim Ingram, head of Abbey's consumer finance operations, said the businesses would fit well with Abbey's other finance operations within its First National subsidiary. He said Abbey hoped to improve the businesses' return on assets from about 1 per cent this year to 2-3 per cent over "an economic planning cycle", thought to be about three to four years.

The price represents 1.8 times book value and a price earnings ratio of 11.8. Abbey claimed this was cheaper than recent comparable deals and took account of the expected economic downturn. Mr Ingram said the purchase would ultimately lift First National's contribution to Abbey's profits from 8-9 per cent to 10-15 per cent.

NatWest, which will retain the Lombard name, will make a £115m pre-tax profit on the deal, and incur a £20m restructuring charge on the remaining Lombard businesses.

Martin Gray, Lombard chairman, said the businesses being sold were intermediary-led and did not fit NatWest's focus on direct sales. He stressed the bank remained committed to its other Lombard operations, including asset finance and invoice discounting. Abbey shares rose 13p to £12.41 while NatWest shares were up 21p at 990p. Analysts said the deal fitted the strategy of both banks.

In a separate deal, Coutts Group, NatWest's private banking subsidiary, is selling its European corporate and institutional trust and fiduciary business to Royal Bank of Canada.

Lloyd's List publisher in talks with IBC

By John Gapper

LLP Group, the publisher of Lloyd's List, the daily insurance newspaper, is in merger talks with IBC Group, the specialist publisher and conference organiser, to create a business publishing company with a combined current market capitalisation of about £260m ($437m).

If the detailed talks are successful, they could announce a merger within the next few days, according to sources close to the companies. Neither LLP or IBC returned calls seeking comment last night.

The move comes only seven months after LLP Group's May flotation on the London Stock Exchange.

The shares were placed at 285p but have since fallen, closing at 233½p yesterday, valuing the group at £112m. IBC shares closed at 365p, valuing the company at £144m.

IBC is stronger in conference organising than LLP, but has been trying to expand its publishing operations to reduce its dependence on advertising and exposure to the economic cycle across its international operations.

The combination of the two would create one of the strongest independent British business publishing companies, although big groups such as Reed Elsevier and United News & Media have large specialist publishing arms.

A merger could produce economies. As well as organising conferences, IBC has a wide range of specialist newsletters in areas such as tax and finance, and the commodities and pharmaceutical industries.

The shares of both businesses have suffered from their exposure to Asia.

Earlier this year, LLP brought forward its interim results to reassure investors after fears over Asian turmoil led to a fall in its share price.

Both groups said earlier this year that they were seeking to expand through acquisition, although LLP said it would be seeking deals of up to £10m, and IBC said it expected spending about £30m on bolt-on acquisitions.

Although publishing groups such as Emap and Reed Elsevier have suffered on fears of a downturn in advertising in consumer and business publishing, specialist publishers are less dependent on the advertising cycle.

Pumping new life into sickly engineering

Peter Marsh examines the optimistic rationale that lies behind Weir Group's biggest investment in its 127-year history

While much of UK engineering appears to be close to grinding to a halt, a set of giant pumps under construction in a plant in Glasgow signifies that some engineers can see a shaft of light ahead.

The factory, part of Weir Group, one of the world's 10 biggest pumpmakers, is to be revitalised over the next three years through a £14m investment in new machine tools and other manufacturing systems.

Explaining the rationale for the company's largest investment project in its 127-year history, Sir Ron Garrick, Weir's chief executive, complained of a "complete mismatch" between the company's perceptions about its markets and tales of woe about the world of engineering generally. "Clearly growth in world demand is less than we would like, but our order book is not giving cause for concern."

Behind this optimism is the company's diversification into a range of pumps and valves, sold into different markets around the world, as well as its large services business. This maintains equipment owned by other companies and also helps to run the Devonport Royal Dockyard in Plymouth.

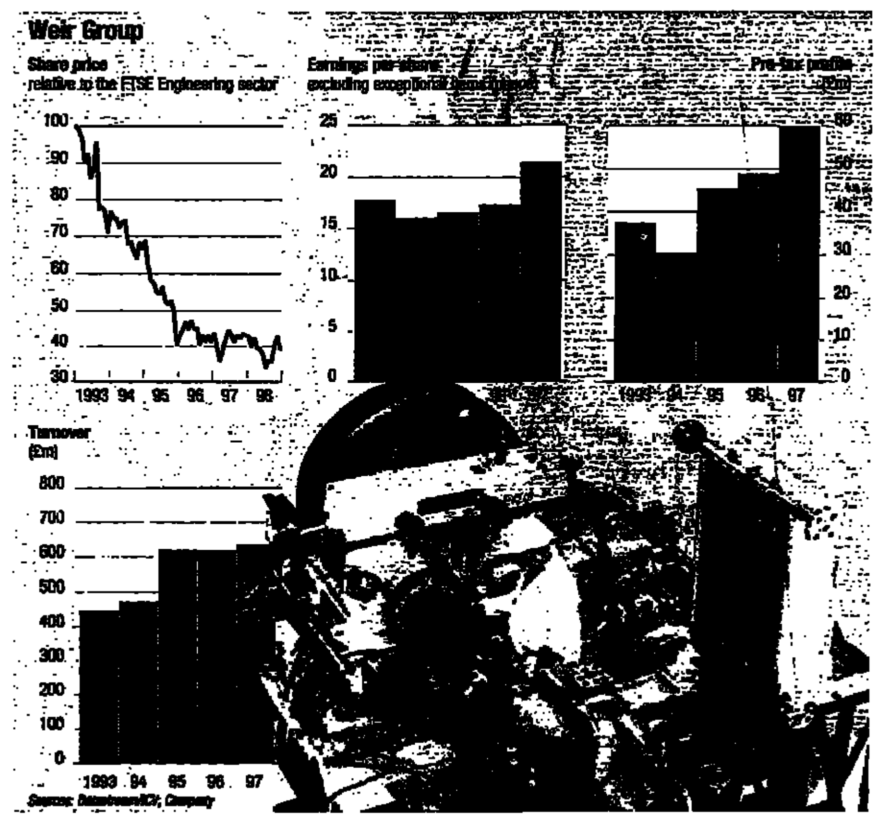
"The company has a good position in a number of worldwide niches," says Philip Goldsmith, an analyst at ABN Amro. "If any engineering companies see a rebound [in share performance], Weir is likely to be one of them."

Certainly Weir's shares – like those of many other UK engineering businesses – need a lift, having collapsed from 304p in March this year to 192½p this week. The lack of interest by investors is linked to worries about the effects of slowing world demand, triggered by the crisis in Asia, plus the high pound. But even on a longer term basis, Weir's share performance has been disappointing. The stock has underperformed the rest of the UK market by some 60 per cent since early 1994.

Critics say the company has been too timid about making large acquisitions, with its buying activities in recent years restricted mainly to small bolt-ons such as Schabaver, a 45-person French pumpmaker purchased last month.

While Sir Ron defends his acquisition record, adding that the company could afford to spend £100m if the right target came along, he admitted that in the past it could have done a better job at marketing itself to investors. One London analyst agreed: "They [Weir directors] are terribly conservative, a bunch of canny Scots who are not very stock market-friendly."

However, Sir Ron, who has been with Weir since 1962 and is to step up to chairman shortly, replacing Lord Weir, the great-grandson of the founder, believes that Weir's reputation obscures a number of broad strengths.



One backhanded compliment to the company has been speculation in recent weeks that its leading position in pumps for fields such as mining, oil and gas and power generation makes it a possible candidate for takeover by a bigger group such as ITT of the US, the world's biggest pumpmaker – even though ITT firmly denies any such interest.

Sir Ron said that Weir's accent on "project-driven" work – in which pumps have to be customised to specific applications – exposes it to the more profitable parts of the industry, rather than making "off-the-shelf" units for more general use.

An example of this work are 12 huge pumps, costing a total of £20m, that are being built in the company's main Glasgow plant for an oilfield in Sudan and due for shipping by next spring.

The company has also altered its manufacturing methods in recent years to cut out excess inventory and boost cash flow. "We don't make very much for stock nowadays," said Sir Ron. While Weir has moved into promising growth areas, such as China and Taiwan, which it reckons still look full of potential in spite of the poor economic conditions in much of the rest of Asia, it has also reduced its dependence on the UK as a manufacturing base. This has helped limit damage to margins caused by sterling's strength over the past two years.

Roughly half Weir's sales of £636m last year came from operations based in the UK – including its Glasgow head office and adjacent plant which together employ some 1,500 of 8,600 staff worldwide.

Weir's total revenues are split roughly 50-50 between pumps and a range of related engineering products plus engineering services. Last year UK customers accounted for less than a third of sales while the Americas – bolstered by the company's large pump business in the US – contributed nearly 40 per cent.

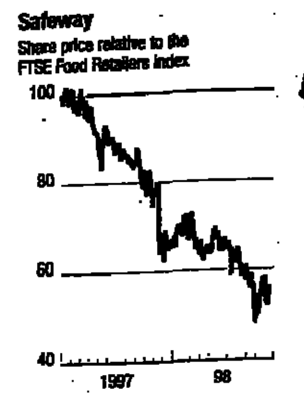
Since 1994 – when earnings dipped following the early 1990s' recession – the company's pre-tax profits have shown reasonable momentum, expanding from £30.5m in that year to £60.1m in 1997.

This year the City is forecasting a figure of £62m-£66m, putting the company on a prospective multiple of about 9, representing a 50 per cent discount to the rest of the market.

Though clearly not enjoying the lowly rating, Sir Ron, in keeping with his image as someone not fond of overpaying for acquisitions, cannot resist the aside that anyone buying the company would pick up a bargain.

COMMENT

Safeway



Last year, Safeway was in the doghouse. Disappointment at its failure to merge with Asda was compounded by a profits warning. Yesterday's news was a mirror image: profits down, expectations up. Or are they? There was no rushing to upgrade full-year forecasts of about £350m, just relief that like-for-like sales growth was still running at nearly 5 per cent. The brownie points came for beating the sectoral average of 2-2.5 per cent, and for a management defying its mediocre reputation. This is thin gruel and even after yesterday's rise, the shares, on a price/earnings ratio of 13, remain at a 20 per cent discount to the sector.

Do they deserve better? No. It was not difficult to make a better start to the second half than last year's poor one, and Safeway is right to hang a health warning over Christmas trading. It is too soon to say whether the sales pick-up can be sustained. Without significantly more sales per square foot, margins will remain under pressure in a sector where competition should be hotting up.

Water stocks

How do you know when water companies are feeling regulatory pain? When they raise the thorny issue of the cost of capital, as Hyder did yesterday. For those reaching for hot towels, a 1 percentage point fall in the cost of capital allowed by the regulator could cut an average annual water bill by £8.50.

For the next regulatory period, the regulator has settled on real post-tax cost of debt – a component of the overall cost of capital – of 2.5-3.3 per cent. This cost of debt has fallen since the last regulatory review, partly because real interest rates have fallen.

But, says Hyder, what about the old debt? This is now expensive – in Hyder's case about 6 per cent real. Most of a water company's capital spending stretches out over decades, requiring long-term debt that is mostly fixed, not floating. If the old cost of debt exceeds what the regulator is allowing for new debt, this is an extra squeeze on companies. The regulator is confident his targets should not require dangerously low levels of interest cover. But this is not ideal. Some recognition of the cost of old debt would be better, and would mean companies not having to gamble on the direction of interest rates.

MAM admits to shift in its business

By Jane Martinson

Mercury Asset Management, the UK's largest pension fund manager, has acknowledged a fundamental shift in its core UK business away from its traditional stronghold in "balanced" investment management and towards the specialist approach favoured by many US managers.

MAM's business was built on balanced management, which gives managers discretion to invest in a range of assets. But this style has come under fire from investment consultants in the past three years as some of the largest fund managers have underperformed their peers.

In an interview, Stephen Zimmerman, co-head of Merrill Lynch Mercury, the name chosen for the combined insitutional business after the takeover of MAM by Merrill Lynch, the US investment bank, said the group saw greater growth in specialist areas of investment, and overseas mandates. "The UK balanced business is clearly changing, has changed," said Mr Zimmerman. "We still have a very nice balanced business, but it's declining because specialist mandates are increasing."

Merrill Lynch Mercury aims to double institutional funds under management to more than $500bn by 2002. Much of this growth is expected to come from the US, continental Europe and Japan. The group has won about $30bn in new business since the beginning of the year. Some $13bn has come from the US, $6bn from the UK and $4bn from Japan.

The group, which declined to reveal net figures, has lost some large balanced UK pension fund accounts since the beginning of the year.

The £3.1bn takeover was largely based on the synergies to be gained by selling Mercury's asset management skills through the Merrill Lynch network.

US bank acts to shore up F1 bond

By Patrick Harverson and Vincent Boland

Morgan Stanley Dean Witter has launched a counter-offensive to reassure potential investors in the $2bn Formula One bond issue that the European Commission's inquiry into the sport's finances will not affect F1's ability to meet its repayment obligations.

The US investment bank's initiative is a response to media reports that institutions were wary of investing in the bonds because of uncertainty over the outcome of the inquiry being conducted by competition authorities in Brussels. Morgan Stanley yesterday asked the Commission to confirm in writing again that the status of its inquiry had not changed since October 19.

On that day the Commission sent a letter to Bernie Ecclestone, the F1 promoter behind the bond. Although the inquiry had not been completed, it said that some of its concerns about potentially anti-competitive contracts between F1 and race-track owners and broadcasters had been provisionally addressed.

Yesterday's letter from the Commission reiterating that stance, and the October correspondence, have been sent by Morgan Stanley to investors.

Morgan Stanley is also emphasising to investors the importance of last month's decision by the Fédération Internationale de l'Automobile, the sport's governing body, to sign an agreement acknowledging that all the rights to the commercial properties of F1 racing reside with FOA until 2020.

The bank believes the agreement protects the FOA's hugely lucrative F1 rights from interference by the Commission. Lawyers have told Morgan Stanley that under European law the competition authorities cannot challenge ownership of intellectual property rights.

Hyder may seek MMC review

By Andrew Taylor

Hyder, the Welsh multi-utility, yesterday declined to rule out "the nuclear option" of seeking a Monopolies and Mergers Commission investigation if the water industry regulator goes ahead with tough price controls.

Ian Byatt, director-general of Ofwat, has proposed forcing Hyder to cut prices to its 1.1m water customers in south Wales by 15-20 per cent in 2000, as part of an industry price review covering 2000-05. Hyder's electricity distribution business is also facing the prospect of a tough five-year regulatory price regime from 2001.

The company moved to damp dividend expectations, following last month's tougher than expected water price proposals from Mr Byatt. Graham Hawker, chief executive, said the interim dividend would rise to 16.8p (16.2p), signalling a 3.3 per cent lift for the year, if its normal split between interim and final dividend is maintained. He said it was too early to say whether it would be forced to cut dividends as a result of the proposed price cuts.

Pre-tax profits rose by 2.3 per cent to £107.8m ($181m) in the six months to September 30. Turnover increased 5.3 per cent to £584.7m.

Increased volumes fuel BG

By Robert Corzine

BG, the gas pipeline operator and international oil and gas company, yesterday reported what it described as "satisfactory" results for the third quarter, as higher volumes and cost savings helped offset the slump in oil prices.

Operating profits for the quarter to September 30 – which coincided with the period of lowest gas demand in the UK – were up £61m to £99m ($166m).

However, pre-tax profits by nearly 50 per cent from £21m to £11m. Turnover totalled £850m (£750m).

The shares closed down 1p at 402½p, although operating results were slightly ahead of expectations.

The company also announced the discovery of a possibly big gas reserve in Bolivia, close to the Bolivia-Brazil pipeline in which it has a stake.

But the slump in oil prices has caused BG to postpone several North Sea developments.

It has also lowered its "hurdle rate" for new upstream projects to ensure they are financially viable at $12 a barrel, close to the current level of crude prices.

Cost cutting at Transco, the UK pipeline subsidiary, helped operating profits jump by £53m to £62m, even though gas transportation price cuts ordered by Ofgas, the industry regulator, amounted to £64m. Volumes were up 6 per cent.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Azlan	6 mths to Oct 3	153.7	(141)	0.424L♠	(7.9L♠)	0.8L†	(14.2L)	nil	-	nil	-	nil
BG	9 mths to Sept 30	3,125	(4,148)	722♥	(876♥)	11.9#	(11.9L‡‡)	-	-	-	-	8
Century Inns	Yr to Sept 30	53.1	(34.2)	9.79♠	(8.5)	14.9†	(15.1)	5.3	-	5.1	7.7	7.4
European Colour	6 mths to Sept 30	15.7	(14.1)	2.07	(1.79)	2.85	(2.46)	0.955	Jan 5	0.885	-	2.5
European Motor	6 mths to Sept 30	233.8	(241)	5.04♥	(6.16)	6.4	(7.9)	2.6	Jan 7	2.6	-	6.1
FKI	6 mths to Sept 30★	610.6	(626.4)	72.6♠	(53♠)	8.3	(5.95)	3.7大	Feb 8	3.2	-	7.5
Greenway	6 mths to Sept 30	9.93	(7.52)	0.22♠	(0.42)	0.8	(1.49)	0.5	Jan 21	0.5	-	2
Helphire	6 mths to Sept 30	19.8	(9.66)	1.58	(0.818)	6.8	(3.4)	0.8	Feb 10	0.4	-	1.2
Hyder	6 mths to Sept 30★	588.2	(558.5)	107.8♥	(105.4)	64.7	(138.5L‡‡)	16.8	Apr 6	16.2	-	50.4
Land Securities	6 mths to Sept 30	211■	(205.5■)	144.7	(124.7)	19.32†	(17.27)	7.85	Jan 4	7.6	-	28
Macdonald Hotels	6 mths to Sept 27	28.4	(24.9)	6.57	(5.56)	8.4	(7.12)	1.82	Jan 4	1.65	-	5
Mayer Intl	6 mths to Sept 30	689.6	(582.3)	38.7♥	(26.2)	16.7†	(13.9)	5	Feb 1	4.5	-	13
New Look	6 mths to Sept 26¥	179	(154.2)	25.1	(22.4)	8.3	(7.4)	1.8	Jan 21	-	-	-
Porter Chadburn	6 mths to Sept 25	38.2	(39.5)	2.77	(2.68)	1.85	(1.74)	0.315	Apr 6	0.3	-	0.9
Probus Estates	Yr to Sept 30 §	11.1	(12.3)	3.22♥	(24.89L)	2.4†	(32L)	-	-	-	-	-
Safeway	28 wks to Oct 10	3,974	(3,699)	187.4♠	(228.8♠)	12.3	(14.9)	4.4	Feb 8	4.4	-	14.1
Smith (James) Ests	6 mths to Sept 24	5.67	(6.65)	1.57♠	(1.96)	4.2	(5.5)	2.1	Jan 15	2.1	-	6.3
Thomas Potts ф	6 mths to Sept 30	2.69	(2.38)	0.804	(0.014♠)	0.311	(0.005)	0.06	Feb 8	0.053	-	0.171
Whitecroft	6 mths to Sept 30	72.9	(73.2)	7.69L♠	(2.3)	20.2L	(3.7)	1.75	Jan 25	1.75	-	5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Glasgow Income	Yr to Sept 30	66.58	(65.95)	0.904	(0.9)	2.91	(2.9)	1.1	Feb 26	1	2.9	2.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. #On reduced capital. ‡‡After windfall tax. §Second interim results; year end changed to December 31. ★Comparatives restated. 大Foreign income dividend. ■Net rental income. ¥Pro forma. фAim stock.

Consumer educator: 'If you make something of quality, you have to make sure the consumer knows how to recognise quality,' says Mondavi

INTERVIEW ROBERT MONDAVI

Lessons from vintage years

The man who first 'educated the consumer' about wine tells **Victoria Griffith** about wisdom harvested from past mistakes

Robert Mondavi, the brash founder of the Californian Robert Mondavi Winery, has, like a good wine, mellowed with time.

At 85, he is still opinionated and self-promoting, but has become ever so slightly more willing to admit mistakes and talk about the softer side of life: namely, his relationship with his "soul-mate" and second wife Margrit, and other family members.

"At one time in my life, I thought being a leader was laying the cards out on the table and calling a spade a spade," he says. "That is not the smart way to control things. You have to be sensitive to other people's feelings. Clip a pigeon's wings, and he'll never learn to fly."

In his old age, Mr Mondavi tries to inspire, rather than control, employees; and he sees the value of life outside work. He has laid out his views in his autobiography, *Harvests of Joy*.

It begins with a family feud and ends with reconciliation. In between, he portrays himself as a visionary, glittering his story with quotes from colleagues that show him in an almost unbelievably good light. Managers may not glean much inspiration from his "philosophy for success", which includes such trite recommendations as "have confidence in yourself".

Yet his life story holds some important management lessons. Mr Mondavi was a pioneer of a mantra that has inspired some of the most successful companies of the 1990s: educate the consumer. He came into the world of California winemaking when Napa Valley was producing almost exclusively second-rate bulk wines, and American consumers were drinking them.

In 1965, Mr Mondavi, the son of Italian peasants, dined at one of the best restaurants in France, Le Pyramide, and had a vision. He would learn to make some of the best wines on the market, then teach Americans, and the rest of the world, to appreciate them.

These days, that does not seem revolutionary. Starbucks has built a coffee empire on getting construction workers and wheat farmers hooked on a good cappuccino. Microbreweries in the US are thriving after years of educating consumers about the joy of drinking distinctive beer. Yet in the 1960s, companies did not create markets in niches, they filled them. And few people would believe that unsophisticated Americans could be taught to fancy the finer things in life.

'Wine to me is passion. And that's the best way to be successful'

Mr Mondavi is credited more than anyone else for the quality and marketing campaign that put fine American wines on the map. He excelled at creating an image. He was so obsessed with getting word out that he once left an important board meeting to show his vineyard to an unannounced wine writer.

He staked millions of dollars on an HQ chic enough to attract hordes of tourists. He hosted gourmet extravaganzas, music concerts and other events. He sweated over details, agonising about designs for labels. He staged tastings, pitting fine French wines against his own – and doing quite well.

"If you make something of quality – whether it's a good new medicine or a good car – you have to make sure the consumer knows how to recognise quality, and knows why quality matters," he says.

Even the wine industry has forgotten the importance of consumer education, he says. Americans who drink fine wine are still a minority: "We have to get out there and battle the image of wine as a health problem. Wine is healthy, good for the heart and the spirit, and we haven't been focused enough on that message in recent years."

Mr Mondavi admits to mistakes in his private life and because his has always been a family-run enterprise, these have encroached heavily on business. In 1965, he entered a bitter legal fight with his brother Peter, about direction and ownership of the Charles Krug Winery they had for years run together. He came close to ruining his relationship with his sons Michael and Tim because of what he calls his insensitivity. "When you criticise someone, you should not do it in front of others."

Mr Mondavi believes many American businesses have lost a competitive edge by disassociating themselves from their founding dynasties. Although Mondavi was listed on Nasdaq's exchange five years ago, the family retains most of the voting shares. Robert's sons have now taken over day-to-day.

"It is only in family businesses that you can get the passion you need to succeed in an industry like wine," he says. "In many places in Europe and Latin America, they understand the importance of the family to business. When you grow up with something in your blood, living and breathing it every day, of course you are going to bring more commitment than if it's just another corporation that you'll probably leave in a few years. Wine to me is passion. Business is passion. And that's the best way to be successful."

IT INTERVIEW PATRICIA SEYBOLD

An end-to-end e-business strategy

Some companies have invested heavily in e-commerce with little effect. **Christopher Price** finds out how best to tackle the job

Executives hoping for new insights from Patricia Seybold on how they ought to implement a successful electronic commerce strategy might be disappointed.

"It's not rocket science," says the 49-year-old information technology consultant. "It is simply about focusing on your customers – what they need, what they want and how to make life easier for them."

Many companies find such simple-sounding advice unpalatable because it often involves fundamental re-engineering of their business process and organisational structure, she says.

Ms Seybold's new guide to success in e-commerce, *Customers.Com**, was a result of the work of her eponymous Boston-based consultancy on advising companies on how to implement IT strategy.

"I was meeting executives who had spent large amounts of money on IT systems, and yet were still being told by their customers that it was hard to do business with them," she says.

At the time, she was also searching the worldwide web in an attempt to discover which companies were making a success of e-commerce.

"I stumbled upon a pattern that the successful businesses were all focused on existing customers, and committed to making it easier for them to do business, either via the web, or through better information provision," she says.

Three years later, and armed with detailed examples of 16 US businesses, Ms Seybold's book identifies important steps to successful e-commerce.

These include:

- Target the right customers. The author cites American Airlines as a company that has aimed its web site at its most important customers – in this case the 32m members of its frequent flyer programme.
- Give customers control over their business experience. They should be given access to a company's processes to make them feel involved and to relay valuable feedback. "So many companies are frightened that customers will see their dirty laundry, but often they have already seen it," says Ms Seybold.
- Provide a 360° view of the customer relationship. Employees and customers must have full knowledge of, and access to, their transaction history and relationship. Bell Atlantic and Wells Fargo are held up as having "worked hard and long to achieve this", across a variety of interactive channels.
- Help customers to do their jobs. Understand the business needs of your customers. Ms Seybold uses Boeing as a good example: the US aircraft manufacturer has designed its web-based spare parts ordering system with its airline maintenance customers in mind. "The key," she says, "is to save the customer time and let them play 'what if' games with your inventory."
- Deliver personalised service. "Provide a level of personalised service that is not possible in any other way and you will become part of their daily lives," says Ms Seybold.

Seybold: 'The key is to save the customer time'

She is keen to emphasise that all the companies highlighted in her study have spent years perfecting their digital strategies and that "none of them are doing everything right".

However, all are reaping the benefits of the decisions taken in developing and implementing an end-to-end e-business strategy.

She says the biggest frustration is in convincing those companies that reach their customers through resellers or dealer channels to re-evaluate their business processes with a view to meeting the needs of end-customers.

"There is a certain kind of culture in some organisations which sees the most important customer as the immediate recipient of the company's products. This often means the dealer, retailer or reseller, and not the customer."

Ms Seybold certainly has a lot of experience in observing organisations.

She began her career in the early 1970s, working with her father, John Seybold, a pioneer of electronic typesetting.

She moved on to the emerging word processing and office systems markets, and was responsible for the authoritative industry newsletter *The Seybold Report*.

Her next move will be to expand *Customers.Com* to include European companies that have integrated the internet into their business processes. Given the region's relative immaturity in e-commerce, it is also likely to be her greatest challenge to date.

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EURO PRICES

EQUITIES

Interest rate boost peters out

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European equity markets received a brief lift from the decision of the US Federal Reserve to cut interest rates again, but the upward momentum petered out.

A quarter-point reduction in rates had been widely forecast and shares on Wall Street had finished lower on Tuesday after the move. So the boost to Europe's bourses was inevitably rather muted, especially as investors seemed to decide that the Fed's move might be the US central bank's last interest rate change for the immediate future.

The FTSE Eurotop 100 index rose 6.58 or 0.3 per cent to 2,525.98 but the broader Eurotop 300 index fell 0.63 to 1,088.44. The FTSE Ebloc 100 index, which comprises shares in euro-zone countries, inched up 0.38 to 903.69.

The best performing sector was household goods, which rose 1.9 per cent. Leading the pack was L'Oreal, the French group which owns a near 57 per cent stake in Synthelabo, which a press report suggested might soon merge with fellow pharmaceuticals outfit Sanofi. L'Oreal gained Ecu 10.7 to Ecu 484.55.

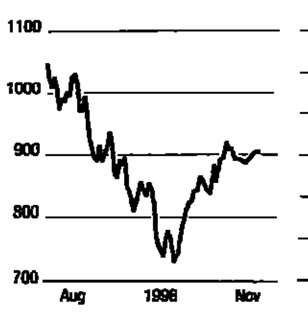
The construction sector was the day's laggard, dropping 2.6 per cent, with French group Bouygues losing Ecu 6.7 at Ecu 177.61.

Among engineering stocks, Viag continued to suffer from investor disappointment at its takeover discussions with Alusuisse, revealed on Tuesday. The German group finished Ecu 28.7 lower at Ecu 539.5.

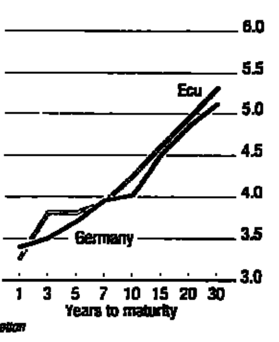
How solidly based is the rally which began in early October? Some fundamental analysts continue to worry that the markets might not be fully taking into account the potential damage to corporate earnings from the economic slowdown.

A different perspective is provided by James Cornish at BT Alex Brown who points out that European trading volumes fell during October. To him, that suggests "we have been witnessing a temporary rebound fuelled by short covering rather than strong customer buying. The steepest falls in volumes in the month came in the biggest continental markets, France and Germany." Domestic volumes fell 24.1 per cent and 17.3 per cent respectively.

FTSE Ebloc 100
Index



Bond yield curve
Per cent (November 18 1998)



Source: FTSE International, Interactive Data/FT Information

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.515	+0.015			0	0
Mar	96.590	96.605	+0.045	96.600	96.585	215	5988
Jun	96.625	96.650	+0.060	96.630	96.625	105	2288
Sep	96.620	96.645	+0.060	96.630	96.620	50	1314

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
96500	0.025	0.185	0.200	0.210	0.170	0.080	0.095	0.105
96625	0.010				0.280			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2553.0	2546.0	+13.0	2553.0	2540.0	103	7264
Mar		2554.5	+13.0			0	1080

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P
Nov	129	9	106	11	85	14	65	20	48	28	33	39	22	54	13	71
Dec	182	54	163	61	148	68	129	761	113	86	98	97	85	108	81	135

Est vol total:320 Prev day's open interest total: 5,854 Premiums shown are based on settlement prices.

OTHER INDICES

	Nov 18	Nov 17	Oct 16	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3029.54	3028.94	3034.80	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	2974.98	2982.07	3000.97	3658.48	2419.23	3658.48	2419.23
MSCI Europe	(u)	1094.05	1099.88	1315.55	906.59	1315.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Nov 18 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rem (Ecu)
FTSE Eurotop 300	1088.44	-0.06	-0.63	2.51	30.18	1125.78
FTSE Eurotop 100	2525.95	+0.26	+6.58	2.52	37.95	904.69
FTSE Ebloc 100	903.69	+0.04	+0.38	2.33	14.44	916.70
FTSE EuroMid	1078.67	-0.10	-1.11	3.04	0.15	1115.69
FTSE EuroMid Ebloc	1127.02	-0.05	-0.57	2.57	0.02	1150.36
FTSE EuroMid Ex UK	1123.22	+0.33	+3.67	2.46	0.02	1143.64
FTSE Eurotop 300 Regions						
Eurobloc	1133.80	-0.02	-0.28	2.21	20.99	1157.38
UK	1014.40	-0.76	-7.81	3.01	49.38	1080.42
Europe Ex-Eurobloc	1052.94	-0.09	-0.99	2.84	38.23	1101.33
Europe Ex-UK	1131.34	+0.30	+3.33	2.27	19.47	1151.98
FTSE Eurotop Industry Sectors						
RESOURCES	856.89	-0.09	-0.75	3.32	29.22	896.07
Extractive Industries	741.84	-0.59	-4.44	4.64	14.54	757.50
Oil, Integrated	829.31	-0.07	-0.54	3.27	21.73	849.39
GENERAL INDUSTRIES	987.33	+0.41	+4.07	2.77	20.31	1007.22
Construction	891.94	-2.64	-24.18	2.10	11.06	902.31
Building Matls & Merchs	875.49	+0.00	+0.00	2.55	8.98	883.05
Chemicals	826.07	-0.31	-2.58	2.91	17.45	842.69
Diversified Industrials	890.51	+1.30	+11.39	2.66	17.48	905.78
Electronic & Elect Equip	871.19	+1.67	+14.27	1.90	5.41	875.94
Engineering	803.04	-1.20	-9.79	4.08	11.68	812.81
Paper, Pckg & Printing	778.43	-0.19	-1.50	2.98	1.21	779.40
CONSUMER GOODS	1142.06	+0.42	+4.81	1.64	50.08	1207.81
Automobiles	812.83	+0.27	+2.15	2.80	10.25	820.27
Alcoholic Beverages	899.28	-0.79	-7.16	2.95	296.79	1339.68
Food Producers	972.99	+0.92	+8.89	1.56	11.84	984.42
Household Goods & Texts	949.18	+1.87	+17.43	1.99	7.88	956.29
Healthcare	871.74	-1.75	-15.49	1.34	13.51	884.78
Pharmaceuticals	1005.38	+0.35	+3.46	1.28	5.27	1010.84
Tobacco	1225.55	-1.34	-16.60	4.10	15.88	1242.40
SERVICES	1100.92	-0.50	-5.58	2.14	22.71	1131.35
Distribution	753.53	+0.61	+4.53	2.89	11.37	762.00
Leisure & Hotels	690.80	-1.20	-8.38	3.58	12.27	699.84
Media	946.72	+0.23	+2.16	2.33	10.68	956.83
Retailers, Food	988.56	-0.14	-1.40	2.07	14.17	1002.86
Retailers, General	936.60	-0.51	-4.81	3.36	20.46	955.91
Telecommunications	1032.13	-0.51	-5.30	1.88	13.02	1044.68
Breweries, Pubs & Rests	746.19	-0.17	-1.28	3.57	16.00	759.39
Support Services	879.55	-1.73	-15.49	1.66	9.87	888.88
Transport	920.48	-1.44	-13.41	2.68	18.24	937.46
Information Technology	860.63	-0.60	-5.18	0.42	2.33	862.68
UTILITIES	1426.49	-0.46	-6.60	3.10	55.62	1506.28
Electricity	1077.73	-0.10	-1.08	3.26	26.23	1106.51
Gas Distribution	1153.31	-0.54	-6.23	1.61	93.32	1269.86
Water	1015.97	-2.42	-25.17	4.97	38.72	1054.77
FINANCIALS	1139.25	-0.28	-3.21	2.86	27.32	1169.72
Banks, Retail	782.40	-0.28	-2.22	3.73	12.96	792.91
Insurance	895.32	-0.27	-2.46	1.55	11.79	906.13
Life Insurance	1041.54	-0.07	-0.68	1.86	12.98	1055.07
Other Financial	804.38	-0.81	-6.58	2.40	15.95	817.79
Investment Companies	881.35	+0.30	+2.68	1.54	20.66	897.83
Property	689.84	-2.21	-15.81	3.55	16.01	702.52

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]					

ALCOHOLIC BEVERAGES; AUTOMOBILES; BANKS RETAIL; BREWERIES, PUBS & RESTAURANTS; BUILDING MATERIALS & MERCHANTS; CHEMICALS; CONSTRUCTION; DISTRIBUTORS; DIVERSIFIED INDUSTRIALS; ELECTRICITY; ELECTRONIC & ELECTRICAL EQPT.; ENGINEERING; EXTRACTIVE INDUSTRIES; FOOD PRODUCERS; GAS DISTRIBUTION; HEALTH CARE; HOUSEHOLD GOODS & TEXTILES; INFORMATION TECHNOLOGY; PROPERTY; INSURANCE; INVESTMENT COMPANIES; LEISURE & HOTELS; LIFE INSURANCE; MEDIA; OIL, INTEGRATED; OTHER FINANCIAL; PAPER PACKAGING & PRINTING; PHARMACEUTICALS; RETAILERS, FOOD; RETAILERS, GENERAL; SUPPORT SERVICES; TELECOMMUNICATIONS; TOBACCO; TRANSPORT; WATER

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Stocks are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are classified in Emu countries. Trading volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information. Company classifications are based on those used by the FTSE Eurotop share indices. Prices of stocks may move on public holidays due to currency fluctuations.

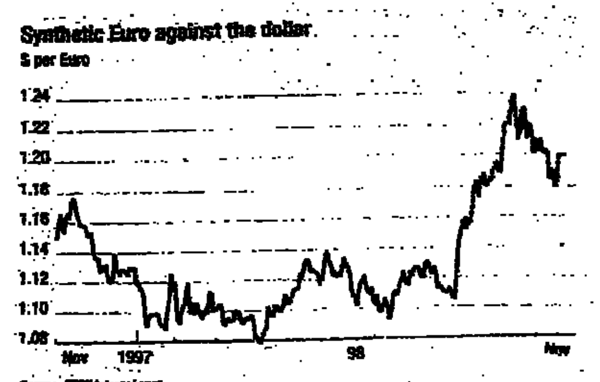
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 18	Currency code	Closing mid-point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.051211	-0.0007	-0.01	-0.0019	-0.01
Belgium	BEF	41.210850	+0.0062	+0.01	+0.0071	+0.02
Czech Republic	CZK	35.541616	+0.0292	+0.08	+0.3193	+0.90
Denmark	DKK	7.592623	-0.0003	-0.00	-0.0013	-0.02
Finland	FIM	6.072642	+0.0002	+0.00	-0.0014	-0.02
France	FRF	6.635535	-0.0015	-0.02	-0.0016	-0.02
Germany	DEM	1.997127	-0.0001	-0.01	-0.0003	-0.01
Greece	GRD	335.447454	-1.0055	-0.30	+0.3548	+0.11
Hungary	HUF	259.475055	-0.2883	-0.11	+1.5769	+0.61
Ireland	IEP	0.803352	-0.0002	-0.03	+0.0005	+0.06
Italy	ITL	1976.647636	-0.3152	-0.02	+0.7851	+0.04
Luxembourg	LUF	41.210850	+0.0062	+0.01	+0.0071	+0.02
Netherlands	NLG	2.251936	+0.0000	+0.00	-0.0001	-0.01
Norway	NOK	8.673315	-0.0275	-0.31	+0.0099	+0.11
Poland	PLN	4.132463	-0.0144	-0.35	+0.0401	+0.98
Portugal	PTE	204.814589	+0.1732	+0.08	+0.0755	+0.04
Romania	ROL	11528.746373	+17.4332	+0.15	+52.8316	+0.45
Russia	RUB	22.240206	-0.0132	-0.06	+2.9594	+15.35
Slovakia	SKK	43.319897	+0.0550	+0.13	+0.2290	+0.53
Spain	ESP	163.837985	+0.1554	+0.09	+0.0399	+0.02
Sweden	SEK	9.538030	-0.0334	-0.35	+0.1149	+1.21
Switzerland	CHF	1.644721	+0.0008	+0.05	-0.0034	-0.21
United Kingdom	GBP	0.715711	+0.0018	+0.25	-0.0008	-0.11
ECU	ECU	1.015845	+0.0007	+0.07	+0.0005	+0.05
Americas						
Brazil	BRL	1.426351	+0.0021	+0.14	+0.0096	+0.68
Canada	CAD	1.861255	+0.0062	+0.33	+0.0209	+1.14
Mexico	MXN	11.692570	-0.0058	-0.05	-0.0156	-0.13
United States	USD	1.197642	+0.0012	+0.10	+0.0075	+0.63
Pacific/Middle East/Africa						
Australia	AUD	1.859698	-0.0283	-1.53	-0.0272	-1.44
Hong Kong	HKD	9.274537	+0.0167	+0.12	+0.0590	+0.64
Japan	JPY	145.363875	+0.6030	+0.42	-0.3410	+0.24
Singapore	SGD	1.954551	-0.0004	-0.02	-0.0104	-0.53
South Africa	ZAR	6.796616	-0.0170	-0.25	+0.0043	+0.06

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3384, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0395, ESP 0.0349, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per Euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 18	Fixed rate	Market rate	Diff but value%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0355	+0.00	+0.00	7.0358	3.61	+0.05
Belgium	20.6255	20.6344	+0.04	+0.01	20.6343	3.56	+0.00
France	3.35386	3.3525	-0.04	-0.03	3.3523	3.51	0.05
Finland	3.04001	3.0406	+0.02	+0.03	3.0407	3.29	+0.03
Ireland	0.402676	0.4022	-0.12	-0.19	0.4023	3.77	+0.21
Italy	990.002	989.7158	-0.03	-0.09	989.4695	3.78	+0.22
Luxembourg	20.6255	20.6344	+0.04	+0.01	20.6343	3.56	-0.00
Netherlands	1.12674	1.1275	+0.07	+0.06	1.1272	3.37	0.23
Portugal	102.505	102.5516	+0.05	-0.03	102.5023	3.65	+0.00
Spain	85.0722	85.0384	-0.04	-0.07	85.0953	4.03	+0.47
Germany	1		+0.00	+0.00		3.56	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2-3. Forward rates are exchange rates to 31/12/98 interpolated from market quotes. Forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Nov 18	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.53	3.56	3.59	3.63	-0.11	-0.08	4.99	5.02	0.35	0.38
2 year	3.56	3.59	3.58	3.62	6.00	6.04	5.00	5.03	0.41	0.44
3 year	3.65	3.68	3.67	3.71	5.94	5.98	5.09	5.12	0.51	0.54
4 year	3.78	3.81	3.80	3.84	5.89	5.93	5.16	5.19	0.61	0.64
5 year	3.93	3.96	3.95	3.99	5.83	5.87	5.22	5.25	0.71	0.74
6 year	4.08	4.11	4.09	4.13	5.78	5.82	5.29	5.32	0.82	0.85
7 year	4.22	4.25	4.23	4.27	5.73	5.77	5.35	5.38	0.93	0.96
8 year	4.34	4.37	4.35	4.39	5.69	5.73	5.41	5.44	1.05	1.08
9 year	4.44	4.47	4.45	4.49	5.67	5.71	5.47	5.50	1.18	1.21
10 year	4.53	4.56	4.53	4.57	5.66	5.70	5.53	5.56	1.30	1.33
12 year	4.68	4.71	4.69	4.73	5.64	5.69	5.63	5.66	1.58	1.60
15 year	4.88	4.91	4.88	4.92	5.61	5.67	5.74	5.77	1.80	1.84
20 year	5.05	5.11	5.08	5.12	5.58	5.65	5.84	5.87	1.99	2.04
25 year	5.22	5.25	5.22	5.26	5.56	5.63	5.86	5.89	2.05	2.10
30 year	5.29	5.32	5.29	5.33	5.55	5.63	5.88	5.91	2.14	2.19

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR. £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR. D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

GOVERNMENT BOND SPREADS vs ECU

Nov 18	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	-0.11	+0.01	+0.20	-0.04	-0.61	+0.10
Belgium	-0.11	+0.01	+0.09	+0.08	-0.03	+0.01
Finland	-0.13	+0.10	+0.25	+0.17	-0.52	-0.89
France	-0.16	-0.09	-0.09	-0.09	-0.09	-0.22
Germany	-0.19	-0.10	+0.02	-0.24	-0.10	-0.20
Ireland	+0.02	+0.00	+0.09	+0.10	+0.14	+0.50
Italy	+0.06	+0.09	+0.18	+0.18	+0.13	+0.09
Luxembourg	-0.11	-0.01	+0.09	+0.08	-0.03	+0.01
Netherlands	-0.11	-0.01	+0.05	-0.13	+0.00	-0.21
Portugal	-0.10	+0.10	+0.27	+0.17	+0.23	+0.09
Spain	-0.19	-0.01	+0.20	+0.21	+0.05	+0.03
"OUTs"						
Denmark	+0.33	+0.41	+0.44	+0.31	+0.02	+0.48
Greece	+6.42	+4.94	+3.83	+3.17	+2.24	+1.87
Sweden	+0.22	+0.33	+0.42	+0.31	+0.17	-0.20
UK	+1.71	+0.98	+0.91	+0.54	-0.24	-0.82

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CORPORATE BONDS

Nov 18	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.860	4.31	-0.07	-0.01	+0.04
France (Rep of)	04/08	5.250	AAA	108.280	4.17	-0.06	-0.05	-0.10
Italy (Rep of)	05/08	5.000	AA	104.830	4.37	-0.05	-0.09	+0.10
Portugal (Rep of)	06/08	5.375	AA-	107.070	4.45	-0.06	-0.09	+0.18
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.620	3.93	-0.05	-0.05	+0.11
Gen Electric Cap Crp	10/04	5.500	AAA	107.900	3.96	-0.06	+0.07	+0.07
Oest Kontrollbank	04/08	5.250	AAA	105.330	4.41	-0.08	-0.12	+0.14
Cred Local de France	04/08	5.250	AA+	104.620	4.50	-0.07	-0.11	+0.16
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.640	3.91	+0.07	+0.25	+0.05
Cred Foncier France	03/04	8.375	A	119.125	4.46	+0.00	+0.15	+0.57
Euro Inv Bank	04/04	5.250	AAA	107.010	3.78	-0.08	-0.26	-0.11
ABN Amro Hldg. NV	04/07	6.375	AA-	111.770	4.72	-0.24	-0.22	+0.57

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1.1.99. Euro issues are issued in the new currency. Ecu bonds are issued in Ecus but convert to Euros 1.1.99.

EUROZONE CREDIT SPREADS vs ECU

Nov 18	S & P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.10	+0.15	+0.15
France Telecom	AA+	11/06	6.250	FRF	+0.23	+0.11	+0.22
Halifax	AA	07/07	5.625	DEM	+0.42	+0.47	+0.37
Ing Bank NV	AA-	01/08	5.500	NLG	+0.28	+0.25	+0.42
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.17	+0.29	+0.18
Cred Foncier	A	02/03	7.250	DEM	+0.44	+0.39	+0.43
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.51	+0.51	+0.47
Generale des Eaux	N/A	03/04	6.250	FRF	+0.41	+0.41	+0.43
Bank of China	BBB	07/99	7.125	DEM	+1.99	+2.11	+2.52
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+0.75	+1.02	+1.74
Korea Dev Bank	BB+	11/02	5.625	FRF	+5.92	+6.29	+6.12
Argentina	BB	04/08	8.125	XEU	+5.27	+5.03	+5.31

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

مكبرة عن الاصل

BOND INDICES

Mystery of Europe's missing banks

US banks are way ahead of their European counterparts, offering benchmark indices to measure performance in their battle for market share after monetary union, says Edward Luce

Anyone who doubts that US investment banks are fighting more aggressively than most of their European counterparts for market share after monetary union should look at the "battle of the indices".

With the exception of Barclays Capital, which is confining itself to a relatively narrowly-based index, only US banks are offering benchmark indices for Europe's bond markets.

This week Morgan Stanley Capital International, the majority-owned subsidiary of the investment bank, launched a euro-denominated bond index, joining the ranks of Salomon Smith Barney, Bear Stearns, Merrill Lynch, J.P. Morgan and Lehman Brothers.

MSCI, which is also a leading contender to provide the benchmark index for the pan-European equity market, is betting that Europe's fund managers will start to behave like their counterparts in the US. Almost all the big US funds benchmark themselves against at least one fixed-income index and sometimes more than one.

Although national bond indices do exist, European fixed-income investors are considerably more discreet about their investment yardsticks than those in the US. "We know some funds in southern Europe who benchmark themselves against inflation," said a US banker. "Others don't even bother with that."

With monetary union around the corner, this is expected to change. Already some regulatory authorities, notably in Italy, are recommending that domestic funds should benchmark themselves against a public index. Other funds will be compelled by their clients – the municipalities and corporate accounts – to measure their performance against a leading index.

None of this amounts to a revolution. But, if the enthusiasm of the US banks is anything to go by, there will be a radical alteration in investor outlook. And the benchmark indices will be ready to capture this change. "Benchmarks tell the investors what the market is like," said Rafey Sayood, at Salomon Smith Barney. "And it gives their sponsors the ability to measure how well fund managers are performing."

Which benchmarks are likely to succeed? And what benefits does success bring to the sponsor? To judge by the US, where Lehman Brothers' aggregate index is the clear leader, there is room for two, or possibly three, indices to take the limelight. Salomon Brothers' broad investment grade index is the other leading benchmark in the US.

> **'It is impossible to quantify, but having a benchmark is more than just a marketing tool – albeit a very effective one'**

In addition, both Lehman Brothers and Bear Stearns publish widely-tracked indices on the US high-yield bond market. It is too early in the development of Europe's junk bond market for a high-yield benchmark to catch on, but bankers expect fund managers to choose Europe's investment grade benchmarks relatively quickly.

"Fund managers will probably choose their benchmarks in the first quarter of 1999," said Anant Patel, managing director, financial analytics, at Bear Stears in London. "We could even know sooner than that."

Europe's leading funds, some of which have already chosen a benchmark, are faced with a relatively broad range of approaches. J.P. Morgan and Barclays Capital have both confined their indices to the government bonds of the 11 participating countries in reflection of the relative dominance of government bonds as a proportion of outstanding debt in the euro-zone.

The others have all included varying proportions of corporate and other non-government securities in their indices. Given the ease with which a purely government bond-based index can be constructed, this suggests that the added value is more obviously captured in the broader indices.

"Anyone can set up a government bond index because the prices are all on the screen," said Aram Flores, director of international fixed income at Lehman Brothers. "But for other bonds, including smaller corporate issues, you need an active and large trading floor to supply you with the data."

But the broader indices also diverge. Some, such as Salomon's, incorporate only the large, actively traded issues to capture liquidity. Others, notably Lehmans, include as broad a range of securities as is practical.

Lehman's qualifying threshold for the inclusion of non-government bonds is just E100m of outstanding paper, which means that the index includes almost 7,000 separate issues covering almost 90 per cent of the euro-zone's market capitalisation (E2.630bn). This is designed to reflect the diversity of the market which investors use, says Lehman.

Salomon, which in contrast has a cut off point of E500m, says it is pointless to include issues which are barely traded, such as some of the thousands of small-scale pfandbriefe bonds (German mortgage-backed paper). With the exception of Bear Stearns, which has yet to determine cut off points, the others have chosen cut off points between E100m and E500m.

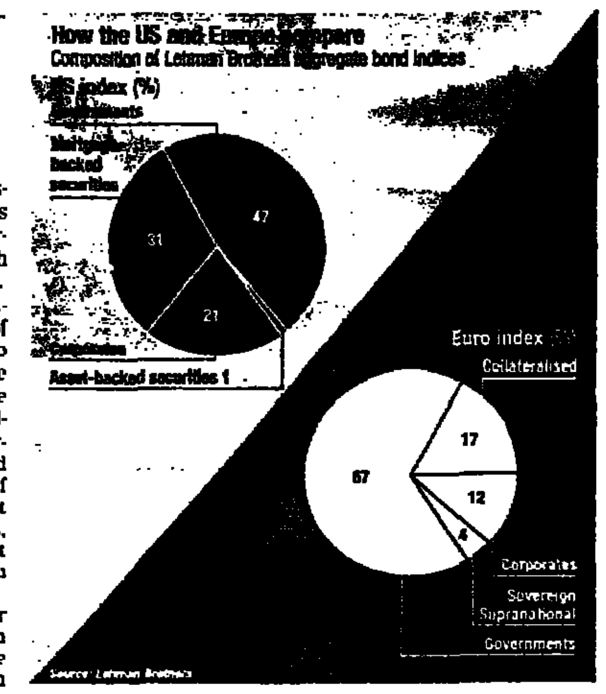
Whichever investors go for – and much will depend on how quickly smaller-scale European corporates switch to the bond markets – the rewards will almost exclusively go to the US banks.

The benefits to them are all indirect because use of the indices is free, they are nevertheless substantial. "It is impossible to quantify, but having a benchmark is more than just a marketing tool – albeit a very effective one," said one banker.

Perhaps the most obvious downstream benefit is through the over-the-counter derivatives business. Many investors, especially those who track indices but also smaller investors, want to capture the returns from an index without having to invest in the full range of securities. With some banks including more than 2,000 securities in their index, this is hardly surprising.

The investor can capture the return from an index without the hassle of buying the bonds by entering into a total return swaps agreement with the bank. Others want to benchmark against indices tailor-made for them to reflect their specific investment mandates. Ordering customised indices from a benchmark provider is a growing area. Much business is also generated on the banks' trading floors because index-trackers will route a large proportion of their business through the index provider.

All of this represents revenue opportunities, which only adds to the mystery of the missing European banks.



If the strain gets too much . . .

A manager's guide to the euro

How likely is a break-up of the euro-zone, and how might it affect my investment strategy?
Break-up is not very likely. Richard Davidson, European strategist at Morgan Stanley, puts the chance at only 1 per cent. The political will to push forward with the project is still in place and the embarrassment and the chaos that would follow a break-up would be immense. However, fate and the markets have a habit of disrupting the best laid plans.

How might a break-up occur?
There are two main dangers. The first is that speculation in the foreign exchange markets might occur in the interim period, from 1999 to 2002, during which national currencies and the euro will exit in tandem. The second is that economic problems, notably a prolonged recession, might prompt one or more member countries to decide that national prosperity would be better served if they had the power to set their own interest and exchange rates.

So the interim period might be tricky?
Possibly. Member currencies will be locked in at their parities against the euro and in a legal sense will only exist as sub-currencies. That rules out conventional foreign exchange speculation of the kind that caused the crisis in the exchange rate mechanism in 1992. But as Paul Mortimer-Lee of Paribas points out "speculative tensions will still be a theoretical possibility". The main route seems likely to be the transfer of assets from "risky" countries, such as Italy, which might be perceived as the most likely to drop out of the euro, into core countries such as Germany. This could cause strains in the banking system in the countries concerned.

What about the economic issues? They are the main concerns of the Euro-sceptic camp.
This looks the more likely problem. European unemployment is already high and hopes for economic growth in 1999 have been scaled back in the face of the worldwide slowdown. Few believe that Europe is such a close-knit economic area that one interest rate will be appropriate for all countries.

Interest rates seem likely to be set with conditions in the core countries of France and Germany in mind, rather than economic events in Ireland or Spain. At the moment, this means that Irish and Spanish rates are probably lower than would normally be the case, and few people are complaining; it will be a different matter should conditions change. Remember the early 1990s when the Bundesbank kept interest rates high to counter the inflationary effects of German unification and many European countries were mired in recession? Britain and Italy were forced into leaving the ERM.

A more general crisis might be triggered by tensions between the politicians and the European Central Bank, some of which are already emerging. The more left-wing politicians do not have the same enthusiasm for fiscal rigour as their conservative predecessors. They might break the terms of the stability pact and try to reflate their economies; the Bank may respond by raising interest rates to head off inflationary pressures. If a prolonged recession results, the politicians may be tempted to tinker with the Maastricht system, which would shatter the confidence of the markets.

How might one profit from a break-up?
Much would obviously depend on the circumstances. But all the most likely break-down scenarios relate to a prolonged recession, in which politicians are forced to alter policy, just as the UK was finally forced to leave the ERM and cut interest rates in 1992.

According to Ian Harnett, director of European strategy at BT Alex Brown, that would suggest a strategy of buying cyclical stocks to get the benefit of the ensuing political recovery.

However, he is not confident that equity markets will do at all well in such circumstances, which he likens to the break-up of the Bretton Woods system in the early 1970s. "Suddenly, markets will realise there is no anti-inflation anchor and they will demand a massive risk premium for holding equities."

What about the bond markets?
Some of the biggest beneficiaries of the drive for a single currency have been investors in the traditionally high-yielding bond markets such as Italy and Spain, which have seen yields drop to the level of the core countries of France and Germany.

Accordingly, holders of those bonds would likely be the biggest losers if monetary union were dissolved. The markets would no doubt reason that those countries which had high inflation rates before Emu would be just as likely to have them after it. One strategy would therefore be to short those bonds and go long either in the core countries of Germany and France, or more probably in the US, which would bask in a "safe haven" effect.

Would the same reasoning apply to equity markets in those countries?
Probably not. The most likely reason for a country to opt out of Emu would be to ease recessionary pressures by cutting interest rates and devaluing their currencies (or adopt a new lower valued currency). That would be good news for the exporters of the countries concerned and might prompt a rise in their share prices.

Philip Coggan

Rally in prices across the board

GOVERNMENT BONDS

By Khozem Merchant

Prices rallied strongly across the board after the US interest rate cut, surprising analysts who had expected the markets to respond modestly to the widely expected trim. The rally was also helped by a shift out of equities.

Analysts said forward interest rates were consistent with the Federal Reserve holding firm on rates.

In Europe, there was a slightly different twist as markets continue to expect weak data on European growth prospects, suggesting a slowdown in core economies and offering further scope for cuts in rates.

UK gilts led the way, closing at a six-week high after taking their cue from disappointing retail sales figures. UK 10-year gilt yields are now less than the yield on 10-year US Treasuries for the first time since 1985, when rates tightened and US yields came in sharply.

"Fears of a market-driven meltdown several weeks ago have gone now and we are back to a focus on the likelihood of a gradual slowdown in the world economy that would dent corporate profits and allow rates to come down," said Andy Bevan, at Goldman Sachs.

In the US, a growing belief that the Fed will not cut interest rates again in the coming weeks prompted a shift by investors from shorter-dated Treasuries.

The move into longer-term securities, together with a rash of overseas buying, brought a one-point rise in the benchmark 30-year US Treasury and a notable flattening of the yield curve. The moves came in the wake of comments from the Fed on Tuesday that suggested the spate of rate cuts is at an end, at least for now.

By early afternoon, the yield on the long bond had fallen to 5.233 per cent, with the bond trading a point higher at 100¼. The yield on two-year notes, meanwhile, crept up to 4.592 per cent as the price slipped $\frac{1}{32}$ to 98$\frac{23}{32}$.

UK gilts outperformed other European markets, encouraged by the release of the minutes of the Bank of England's last MPC meeting, which sustained talk of another rate cut soon.

The December gilt future contract settled at 116.34, up 0.85. In the cash market, the yield on 10 year gilts was 4.84 per cent. Retail sales figures down 0.4 per cent in October buoyed the market.

In German bunds, the December future settled at 113.26 up 0.67 in moderate trading on Eurex. In the cash market the 10-year bund yield was 4.06 per cent.

Analysts said there was some covering of short positions after the Fed's cut. A report by the so-called five wise independent economists discounted some of the worst fears of recession, saying the outlook for the German economy was not as bad as many feared.

The JP Morgan Emerging Market Index rose by 14 points to 1,107 in late trading on the back of the Fed cut, which surprised analysts.

Tim Ash, emerging markets economist at WestLB, said some momentum had been expected after the index had fallen by 35 points in anticipation of a cut.

The rise suggests that "the markets are saying, you have the Brazil package and now you have a rate cut. Now make it work", Mr Ash said.

The one positive piece of news was on Bulgaria, where the price of Bulgarian debt rose on the release of the second trance of an IMF loan. Markets were excited about Bulgaria because of its model reforms.

Moody's upgrades Crédit Lyonnais

By George Graham, Banking Editor

Crédit Lyonnais, the French state-owned bank scheduled for privatisation next year, received a boost yesterday when Moody's, the credit rating agency, raised its assessment of the bank's financial strength.

Moody's upgraded Crédit Lyonnais's financial strength rating, which assesses the bank's intrinsic soundness without considering the likelihood of a state bail-out, from E+ to D.

A bank rated D is regarded as having adequate financial strength but with weaknesses, such as a vulnerable business franchise or poor financial figures.

Moody's said its upgrade reflected the recovery of Crédit Lyonnais's operating profitability. Its recurrent earnings power was now comparable to that of its French competitors but the bank was still burdened by its large exposure to emerging markets. This might require substantial extra provisions, though not so much as to require even more state aid.

Moody's warned that Crédit Lyonnais still needed to stem the erosion of its domestic market share, increase revenues from its domestic network, grow the contribution of non-interest income and maintain its efforts to set aside provisions for loan losses.

Crédit Lyonnais's principal debt rating from Moody's is A3, a strong grade dependent on its ownership by the French state. The government has undertaken to cut its stake to less than 10 per cent by October 1999 as part of a deal with the European Commission.

EQUITIES PLAN FOR SMALL EXCHANGES

Italian bourse seeks level playing field

By Paul Betts in Milan and Vincent Boland

Italy's privatised stock exchange is urging London and Frankfurt to establish a level playing field to entice other smaller European stock exchanges to join their ambitious plan to set up a pan-European blue-chip stock market.

Stefano Preda, chairman of the Italian stock exchange, also said yesterday that "technical problems" had emerged, making it difficult for Milan to join Eurex, the German-Swiss alliance that has created Europe's largest derivatives exchange.

Instead, Milan, which ranks second behind Germany in European equity derivatives, is now considering an alternative alliance with other European bourses, including France and Spain, which would also be extended to the US. "The Americans are very interested," Mr Preda said.

Although he did not disclose the problems Milan faced over Eurex, these are understood to involve German insistence on selling their electronic system to other bourses joining the exchange.

The hitch in Eurex's expansion plans comes on top of complaints from some of its largest users about the standard of its technology, especially for clearing and settling trades.

Some 20 customers, including some big global investment banks, issued a joint complaint to the exchange last month outlining their concerns about delays in settling transactions and about the early daily closure of its back office systems.

Eurex confirmed the complaint had been made but declined to comment in detail.

Mr Preda said Milan was interested in joining the new European blue-chip market proposed by the London Stock Exchange and Deutsche Borse "provided a joint project committee is set up to enable all parties in the alliance, big and smaller, to manage and organise together the process of creating the European market".

In terms of capitalisation, the Milan stock exchange currently ranks in Europe behind London, Frankfurt and Paris.

Mr Preda said it would be desirable that as many European bourses as possible joined the blue-chip project to turn it into a "real European market".

Mr Preda said a meeting of all interested parties was expected to be organised before the end of this month which would hopefully lead to the signing of a memorandum of understanding in the next two to three months "to fix and define the project".

This would include the setting up of a joint project committee giving all parties an equal voice in the organisational issues involved in establishing a pan-European market.

"The initiative makes sense if it is a European agreement and if so, I believe the project can give an impulse to our markets," Mr Preda said.

Argentina raises $1bn

INTERNATIONAL BONDS

By Edward Luce

Argentina once again chose its moment stylishly and issued the largest emerging market bond offering since the August crisis.

The $1bn bond, which was increased from $750m owing to strong demand from US institutional investors, was also the first "stand-alone" emerging market bond in dollars since August. All previous offerings, including a couple from Argentina, were add-ons to existing issues.

However, the feature that captured most attention was the embedded warrants in the bonds, which gave investors the right to buy 30-year Argentina bonds 12 months from now.

The warrants, which are detachable and are expected to be traded in a separate market, are convertible into the 30-year Argentina dollar bonds at a strike price of 94.

The bond was trading at about 85 yesterday. The option was an extra "kicker" to attract investors to the deal, said an official at J.P. Morgan, joint lead with Deutsche Bank.

Officials said they deliberately turned away leveraged investors from the deal, distributing the bonds to "real money" accounts, notably big US funds. "There has been a lot of criticism that too much emerging market paper has been distributed to hedge funds and relative value players," said one.

The Mexican oil company **Pemex**, **Bank of Hungary** and **Krakow**, the Polish city, all tapped renewed demand for emerging market bonds.

Elsewhere, **Reseau Ferre de France**, the state-owned railway infrastructure company, made its debut in sterling with a £200m offering.

The 23-year bond was designed to capture the strong demand for long-dated paper from UK institutions. This is partly because of the shortage of gilt issuance in the last few months.

In South Africa, **Telkom SA**, the country's telecoms company, launched the largest ever domestic corporate bond in a R2bn offering. It was also the first to be syndicated in eurobond fashion and 15 per cent was sold to international investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
CSFB Mtg Sec Corp(a)*	1.391bn	-	-	-	-	-	CSFB
Republic of Argentina(b)	750	11.00#	100.00R	Dec 2005	0.875R	-	Deutsche/JP Morgan
KfW International Finance(c)	500	5.00	99.513R	Nov 2003	0.25R	+52(4¼%-Nov03)	ABN/Deutsche/Goldman
Pemex(d)	300	(d1)‡	(d1)R	Dec 2008	1.00R	-	Morgan Stanley DW
National Bank of Hungary(f)	200	6.50	100.696R	Apr 2003	0.30R	+160(Nov03)	ABN Amro/Salomon SB
D-MARKS							
Gear 1998-1(g)‡	1.001bn	-	-	-	-	-	Deutsche Bank
KBC Intl Finance(h)§	850	2.50	100.00	Dec 2005	-	-	Morgan Stanley DW
DSM	750	4.75	99.13R	Dec 2005	0.40R	+90(6%-Oct05)	ABN Amro/Deutsche Bank
Siemens Finance NV(j)	150	10.25	100.00	Dec 2000	2.50	-	Warburg Dillon Read
Krakow‡	66	(k)	99.90	Nov 2000	0.35	-	Bank Austria/WestLB
STERLING							
Reseau Ferre de France	200	5.50	99.596R	Dec 2021	0.45R	-78(8%-2021)	Barclays Capital
Abbey Natl Trsy Services(m)	150	6.50	102.75R	Mar 2004	0.30R	-	CSFB/MSDW
KfW Intl Finance(n)	100	6.00	101.637	Oct 2003	0.25	-	Warburg Dillon Read
SWISS FRANCS							
Pacific Life Funding Cayman	300	2.50	101.20	Nov 2003	2.00		CSFB
EUROS(e)							
Istituto de Credito Oficial‡	300	(o)	100.125	Dec 2001	0.125	-	Morgan Stanley DW
GREEK DRACHMA							
European Inv'ment Bank(p)	10bn	7.50	99.38R	Dec 2001	0.1875R	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Multi-tranche mortgage pass through securities. b) Denom: $1,000 + 1 wrt to Argentina 2027 global bond at 93.20%. c) $1bn launched 12/11/98 increased to $1.5bn. d) Puttable on 2/12/01 at par. d1) Priced today. e) Payments in Ecu prior to Emu. f) Fungible with $300m. Plus 229 days accrued. g) 3-tranche deal secured on German corporate equipment loans originated by Gefa Group. h) Exchangeable into KBC Bancassurance Holding at BFr3.225. FX: 20.6307BFr/DM. Callable from 10/12/01 subject to 130% hurdle. Greenshoe: DM150m. j) Redeemed at par or Siemens shares at DM111.826. k) 6-mth Libor +100bp. m) Fungible with £350m. Plus 262 days accrued. n) Fungible with £450m. Plus 28 days accrued. o) 3-mth Libor -8bp. p) Dr15bn increased to Dr25bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 18	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.3078	4.62	+0.01	+0.03	+0.33	-0.40
	08/08	8.750	126.7354	5.21	+0.06	+0.07	+0.28	-0.76
Austria	07/00	5.875	103.6700	3.53	-0.07	-0.05	-0.14	-1.03
	01/08	5.000	105.0800	4.31	-0.07	-0.12	-0.08	-1.35
Belgium	01/00	4.000	100.6000	3.45	-0.03	-0.06	+0.01	-0.90
	03/08	5.750	110.8600	4.31	-0.07	-0.10	-0.01	-1.40
Canada	12/00	5.000	100.3700	4.80	-0.01	-0.02	+0.37	+0.65
	06/08	6.000	106.2900	5.16	-0.04	-0.03	+0.28	-0.28
Denmark	11/00	9.000	109.3500	3.97	-0.02	-0.06	-0.21	-0.82
	11/07	7.000	117.3900	4.59	-0.04	-0.09	-0.14	-1.48
Finland	01/99	11.000	101.0580	3.06	-0.03	-	+0.08	-1.23
	04/08	6.000	112.1770	4.39	-0.05	-0.11	-0.10	-1.37
France	07/00	4.000	100.8200	3.46	-0.04	-0.01	-0.02	-0.93
	10/05	7.750	123.2500	3.85	-0.06	-0.08	-0.01	-1.45
	10/08	8.500	134.4600	4.18	-0.06	-0.11	-0.07	-1.40
	04/29	5.500	105.7600	5.12	-0.06	-0.10	-0.06	-1.03
Germany	06/00	4.000	100.7500	3.49	-0.04	-	+0.08	-0.73
	10/05	6.500	114.9800	3.97	-0.07	-0.10	-0.08	-1.35
	07/08	4.750	105.3300	4.07	-0.08	-0.12	-0.05	-1.50
	01/28	5.625	107.2000	5.14	-0.05	-0.08	-0.03	-1.05
Ireland	10/01	6.500	107.6500	3.69	-0.05	-0.05	-0.09	-1.80
	08/08	6.000	112.8200	4.35	-0.07	-0.10	-0.12	-1.71
Italy	04/01	4.500	101.8500	3.67	-0.05	-0.05	-0.04	-1.56
	07/03	4.500	102.7200	3.85	-0.07	-0.08	-0.08	-1.70
	05/08	5.000	104.8800	4.35	-0.08	-0.11	-0.09	-1.68
	11/27	6.500	117.1400	5.32	-0.08	-0.12	-0.13	-1.24
Japan	12/00	6.900	113.7200	0.25	+0.02	-0.01	-0.11	-0.11
	12/03	4.100	117.5800	0.58	-	-0.04	-0.10	-0.66
	06/08	1.800	106.5500	0.87	-0.02	-0.02	+0.03	-0.89
	03/18	2.700	119.9400	1.51	-0.01	+0.03	+0.09	-1.07
Netherlands	05/00	9.000	107.7000	3.51	-0.03	-0.01	+0.04	-0.86
	07/08	5.250	108.4500	4.16	-0.08	-0.12	-0.02	-1.40
New Zealand	02/01	8.000	106.0009	5.08	-0.21	-0.32	-0.06	-1.85
	07/09	7.000	111.5339	5.55	-0.08	-0.14	+0.11	-1.12
Norway	01/99	9.000	100.1000	7.87	-0.11	+0.01	+0.04	+3.41
	01/07	6.750	107.7800	5.53	-0.03	-0.06	-0.04	-0.22
Portugal	03/00	5.375	102.3400	3.52	-0.06	-0.04	+0.09	-1.43
	06/08	5.375	107.2300	4.43	-0.05	-0.09	-0.04	-1.52
Spain	04/00	6.750	104.3600	3.45	-0.02	+0.02	-0.03	-1.28
	01/08	6.000	112.0300	4.38	-0.08	-0.12	-0.12	-1.52
Sweden	05/00	10.250	108.8430	3.81	+0.01	-0.12	-0.41	-1.29
	05/08	6.500	114.5930	4.56	-0.03	-0.13	-0.22	-1.79
Switzerland	06/00	4.500	104.6000	1.46	-0.01	-0.01	+0.18	-0.82
	01/08	4.250	114.2100	2.49	-0.02	-0.11	-0.27	-1.15
UK	11/01	7.000	105.0800	5.14	-0.10	-0.18	-0.04	-2.00
	12/03	6.500	107.5300	4.80	-0.09	-0.21	-0.11	-1.97
	10/08	9.000	132.8000	4.80	-0.10	-0.25	-0.26	-1.86
	12/28	6.000	124.3600	4.51	-0.04	-0.20	-0.39	-2.08
US	09/00	4.500	99.8370	4.59	-0.03	+0.01	+0.61	-1.14
	06/03	5.250	102.8093	4.58	-0.04	+0.03	+0.44	-1.29
	05/08	5.625	105.6731	4.87	-0.06	-0.01	+0.33	-0.97
	08/28	5.500	103.8866	5.24	-0.10	-0.10	+0.18	-0.87
ECU	07/00	4.000	100.7100	3.53	-0.04	+0.02	-	-1.17
	04/08	5.250	108.0100	4.20	-0.06	-0.09	-0.06	-1.54

London closing. * New York mid day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 18	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.22	+1.19	+0.40
Austria	4.23	+0.20	-0.59
Belgium	4.35	+0.32	-0.47
Canada	5.15	+1.12	+0.33
Denmark	4.58	+0.55	-0.24
Finland	4.44	+0.41	-0.38
France	4.18	+0.15	-0.64
Germany	4.03	-	-0.79
Ireland	4.37	+0.34	-0.45
Italy	4.45	+0.42	-0.37
Japan	0.89	-3.14	-3.93
Netherlands	4.14	+0.11	-0.68
New Zealand	5.56	+1.53	+0.74
Norway	5.54	+1.51	+0.72
Portugal	4.44	+0.41	-0.38
Spain	4.48	+0.45	-0.34
Sweden	4.58	+0.55	-0.24
Switzerland	2.57	-1.46	-2.25
UK	4.81	+0.78	-0.01
US	4.82	+0.79	-
ECU	4.27	+0.24	-0.55

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 18	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	90.7995	10.39	+0.10	+0.44	+5.85
Poland	07/04	7.125	BBB-	103.2277	6.41	+0.03	+0.50	+1.83
Russia	06/07	10.000	n/a	23.2500	47.07	+0.07	-5.61	+42.31
LATIN AMERICA								
Argentina	09/27	9.750	BB	85.0940	11.54	+0.17	+0.80	+6.35
Brazil	05/27	10.125	BB-	73.5940	13.87	-0.02	-0.30	+8.68
Mexico	05/26	11.500	BB	106.1880	10.79	-0.05	-0.10	+5.62
ASIA								
China	07/08	7.750	BBB+	103.0771	7.20	+0.10	-1.35	+2.50
Philippines	10/16	8.750	BB+	93.4270	9.52	+0.10	-1.41	+4.54
Thailand	04/07	7.750	BBB-	90.6086	9.39	+0.09	-1.13	+4.63
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.4341	6.85	+0.10	+0.38	+2.28
South Africa	10/06	8.375	BB+	87.8533	10.72	+0.23	-0.57	+6.02
Turkey	09/07	10.000	B	92.1244	11.45	+0.10	-1.58	+6.69
BRADY BONDS								
Argentina	03/23	5.750	BB	70.7500	8.96	+0.01	+0.05	+3.85
Brazil	04/14	5.000	BB-	64.2500	12.89	-0.10	+0.28	+7.95
Mexico	12/19	6.250	BB	75.8750	8.76	+0.05	-0.04	+3.75
Venezuela	03/20	6.750	B+	64.8750	11.07	-0.04	+0.80	+6.02

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109.05	109.66	+0.42	109.73	109.00	71,784	90,535

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	-	-	PUTS Dec	-	-
108	1.68	-	-	0.02	-	-
109	0.78	-	-	0.12	-	-
110	0.21	-	-	0.55	-	-
111	0.03	-	-	1.37		-

Est. vol. total, Calls 4,232 Puts 6,748. Previous day's open int., Calls 32,548 Puts 39,529

Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.45	113.28	+0.69	113.33	112.45	563,007	600,064
Mar	113.24	113.72	+0.62	113.82	113.24	4,263	33,147

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
11300	0.49	1.22	1.45	0.17	0.40	0.63
11350	0.22	0.92	1.15	0.41	0.60	0.83
11400	0.06	0.66	0.90	0.77	0.84	1.08

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5495 Puts 4830

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.72	108.03	+0.25	108.06	107.69	133,825	257,030
Mar	107.82	107.94	+0.22	107.96	107.82	5,664	16,319

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.20	100.18	+0.18	100.20	100.12	150	1185
Mar		99.92	+0.18			0	0

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.56	+0.32	99.45	99.45	100	1450
Mar		99.21	+0.32			0	0

Also traded on APT. All Open interest figs. are for previous day

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.52	111.37	+0.73	111.60	110.48	30808	52865
Mar	110.92	111.30	+0.76	111.30	110.92	2724	2910

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Jan	PUTS Dec	Jan
11100	0.61	0.87	0.24	0.57
11150	0.34	0.62	0.47	0.82
11200	0.16	0.42	0.79	1.12

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 718 Puts 2403

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.65	115.11	+0.71	115.14	114.53	49,198	47,071
Mar	-	114.41	+0.61	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108.04	108.00	+0.21	108.04	108.00	220	1571
Mar		108.15	+0.21			0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	115.70	116.34	+0.85	116.37	115.67	43882	112672
Mar	116.00	116.50	+0.87	116.36	115.90	2023	4601

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
11600	0.56	1.41	1.90	0.22	0.91	1.40
11650	0.29	1.15	1.64	0.45	1.15	1.64
11700	0.13	0.92	1.41	0.79	1.42	1.91

Est. vol. total, Calls 2841 Puts 1849. Previous day's open int., Calls 44709 Puts 25675

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	126-28	127-02	+0-04	127-13	126-22	273,844	614,207
Mar	126-16	126-25	+0-05	126-31	126-14	50,969	165,861
Jun	-	126-02	-	-	-	179	3,478

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	139.09	139.03		139.10	139.01	695	na
Mar	138.34	138.24		138.34	138.26	134	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.60	104.35	-0.65	104.20	103.80	70	356

US CORPORATE BONDS

Nov 17	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	106.0539	5.38	-0.03	+0.17	+0.83
NY Tel	02/25	7.00	A+	101.1141	6.90	-0.01	+0.05	+1.61
CWE	05/08	8.00	BBB	113.1610	6.14	-	+0.15	+1.28
FINANCIALS								
GECC	05/07	8.75	AAA	119.6687	5.76	+0.01	+0.46	+0.93
Banc One	08/02	7.25	A	105.5706	5.55	-0.04	+0.06	+1.00
CNA Fin	01/18	6.95	A-	93.8690	7.55	-0.01	+0.43	+2.26
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1713	5.72	-0.16	+0.56	+1.41
Wal Mart	05/02	6.75	AA	105.3341	5.06	-0.13	+0.22	+0.51
Dayton Hud	06/21	9.70	BBB+	130.9528	6.96	-	+0.15	+1.67
AGENCIES								
FHLMC	04/07	7.14	N/A	111.3277	5.44	-	+0.28	+0.58
SLMA	03/00	7.50	N/A	103.0266	5.06	-0.06	+0.51	+0.51
FNMA	02/18	8.95	N/A	135.8196	5.82	-	-0.06	+0.53
FFCB	06/05	8.95	N/A	121.8279	5.38	-0.02	+0.26	+0.52
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.2500	0.00	-	-	-
Ak Stl	12/01	9.13	BB-	106.1250	0.00	-	-	-
Pacalta	06/04	10.75	B-	87.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	4.59
Prime rate	8	Two month	-	Three year	4.59
Broker loan rate	6¾	Three month	4.42	Five year	4.56
Fed.funds	4$\frac{11}{16}$	Six month	4.50	10-year	4.85
Fed funds at intervention	4$\frac{11}{16}$	One year	4.52	30-year	5.24

INTERNATIONAL BONDS

Nov 18	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	109.8511	4.30	0.04	-0.02	+0.19
Spain	01/07	5.750	AA	109.4000	4.35	-0.06	-0.05	+0.24
Philip Morris	03/04	5.375	A	104.2111	4.46	-0.07	-0.08	[illegible]
Finland FRN	09/02	3.531	AA	100.5486	3.07	-0.06	-0.07	[illegible]
EURO FFR								
Austria	01/04	5.500	AAA	107.1700	3.93	-0.05	+0.01	+0.14
Abbey Nat	02/04	6.000	AA	109.6500	3.92	-0.15	-0.15	+0.13
Cred Foncier	02/04	9.125	A	122.3200	4.27	-0.06	-0.09	+0.48
SCIF FRN	12/01	3.617	AA-	99.8894	3.47	-0.05	-0.01	-0.09
EURO LIRA								
EIB	02/07	7.000	AAA	117.7100	4.39	-0.04	-0.02	+0.05
Abbey Nat	02/02	6.800	AA	108.6500	3.90	-0.08	-0.07	+0.09
Walt Disney	06/00	8.625	A	106.9500	3.97	-0.09	-0.07	+0.27
EIB FRN	03/01	4.743	AAA	100.0454	3.45	-0.07	-0.06	-0.26
EURO £								
EIB	12/07	7.625	AAA	115.3500	5.44	-0.05	-0.46	+0.69
Dresdner Bk	12/07	7.750	AA-	107.3550	6.64	-0.11	-0.28	+1.89
British Gas	03/00	7.625	A+	101.6665	6.76	-0.07	-0.18	+0.91
Abbey Nat FRN	02/02	7.900	AA	100.3358	4.96	-0.07	-0.28	+0.02
EURO $								
EIB	04/07	7.250	AAA	111.9500	5.44	+0.02	+0.21	+0.68
ABN Amro	06/07	7.125	AA-	104.2854	6.45	+0.03	+0.36	+1.69
Quebec	01/07	7.000	A+	107.5193	5.83	+0.05	+0.18	+1.07
Citicorp FRN	02/04	5.750	A+	96.4203	6.56	+0.04	+0.31	+1.98
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.1327	5.50	+0.02	+0.20	+0.17
Toronto	05/04	8.500	AA+	114.1791	5.44	+0.02	+0.20	+0.11
Bell Canada	07/99	10.625	A+	103.2336	5.24	+0.04	+0.37	+0.96
Deutsche B FRN	09/02	5.875	AA+	101.2688	5.50	+0.03	+0.29	+0.31
EURO YEN								
World Bank	03/02	5.250	AAA	116.2470	0.33	-0.03	-0.14	-0.15
Spain	03/02	5.750	AA	117.6035	0.42	-0.01	-0.05	-0.06
Cred Foncier	08/02	4.750	A	114.0253	0.69	-0.01	-0.05	+0.41
Italy FRN	07/99	0.461	AA	100.0699	0.19	+0.01	+0.19	+0.01

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Nov 18	Day's change %	Tue Nov 17	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.64	0.20	121.39	2.38	8.77
2 5-15 years (20)	173.86	0.64	172.78	3.03	8.92
3 Over 15 years (4)	230.48	0.58	229.15	5.16	8.20
4 Irredeemables (4)	309.13	0.98	306.12	0.68	14.66
5 All stocks (45)	165.46	0.49	164.66	3.18	9.03
Index-linked					
6 Up to 5 years (2)	225.27	0.05	225.16	0.38	5.92
7 Over 5 years (9)	248.06	0.15	247.68	1.40	5.98
8 All stocks (11)	243.70	0.14	243.37	1.22	5.93

UK Indices

	Low coupon yield Nov 18	Nov 17	Yr. ago	Medium coupon yield Nov 18	Nov 17	Yr. ago	High coupon yield Nov 18	Nov 17	Yr. ago
5 yrs	4.93	5.03	6.77	4.99	5.09	6.88	4.95	5.04	6.90
15 yrs	4.59	4.67	6.59	4.77	4.84	6.59	4.84	4.89	6.69
20 yrs	4.54	4.60	6.59	4.73	4.79	6.56	4.84	4.88	6.68
Irred.†	4.84	4.88	6.69						

	Inflation 5% Nov 18	Nov 17	Yr. ago	Inflation 10% Nov 18	Nov 17	Yr ago
Up to 5 yrs	2.21	2.22	3.28	1.44	1.45	2.52
Over 5 yrs	2.22	2.23	3.19	2.02	2.02	2.98

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12	Yr ago	High*	Low*
Govt. Secs. (UK)	112.93	112.37	112.02	111.91	111.59	99.44	112.69	93.31
Fixed interest	152.9	152.24	151.78	151.44	151.10	130.59	151.77	115.32

 * for 1998. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 151.02 (18.09/98), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

مكرر من الأصل

Italian bourse seeks level playing field

CURRENCIES & MONEY

Fed cut aftermath splits dollar bloc

MARKETS REPORT

By Alan Beattie

The attention of the world's currency markets shifted yesterday to the varied responses of the second-tier dollar bloc currencies after Tuesday's easing by the US Federal Reserve.

The Australian dollar pushed higher as traders took advantage of the relatively high yields available in the currency.

But the Canadian dollar slipped slightly as the Bank of Canada cut interest rates by 25 basis points. And the New Zealand dollar fell sharply as the country's Reserve Bank projected loosening monetary conditions.

At the end of trading in London yesterday the Australian dollar had risen to $0.6440 against the dollar, a rise of over one per cent on Tuesday's close.

The Canadian dollar fell slightly against the dollar to close at C$1.5541, and the New Zealand dollar closed nearly one per cent down at $0.5389.

Otherwise the market had a slack day as it absorbed the impact of the Fed's easing and the debates started over the likely direction of monetary policy in the UK.

Weak retail sales data in the UK and the news that the Bank of England's monetary policy committee had been almost unanimous in voting for a 50 basis point cut in interest rates in November caused some selling of sterling. But in a market lacking any great desire to break out in a new direction, the pound finished barely changed at $1.674 against the dollar and DM2.791 against the D-Mark.

■ POUND IN NEW YORK

Nov 18	--Latest--	-- Prev. close --
£ spot	1.6725	1.6770
1 mth	1.6699	1.6744
3 mth	1.6657	1.6704
1 yr	1.6520	1.6499

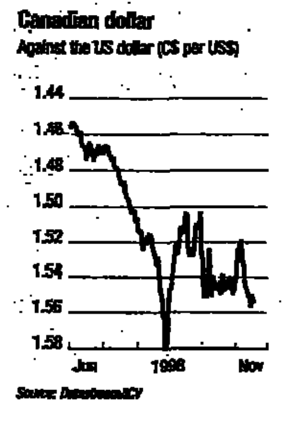
■ Market strategists pointed to the stronger domestic situation in Australia compared with New Zealand as the reason that the Reserve Bank of Australia could afford to hang fire on interest rates after the Fed's decision.

"Given the situation in Australia, there was no need for a rapid response, and certainly no need to panic," said Steve Barrow, currency strategist at Bear Stearns in London.

"But the Reserve Bank in New Zealand can see the writing on the wall," he said.

The New Zealand Reserve Bank yesterday published its quarterly Monetary Policy Statement, which projected the monetary conditions index for the March 1999 quarter at -400, lower than the expected -325.

The benchmark 90-day bill yield, which in effect acts as the base interest rate, closed 43 basis points lower at 4.26 per cent.



Source: Datastream/ICV

"New Zealand has a much less robust domestic situation than Australia's, and the economy has been considerably more exposed to the weakness of the global economy," said Ian Morris, international economist at HSBC in London.

"The Australian dollar could spring a surprise on the upside and approach the $0.70 level," he added.

■ The Bank of Canada's decision came as little surprise to the markets yesterday, despite comments on Monday by Gordon Thiessen, the bank's governor, that the markets should not assume that monetary policy in the country would follow the US.

"In contrast to the last time that the Bank of Canada followed the Fed, this time the cut in rates was fully anticipated by the market," said Steve Barrow.

But the currency still weakened when the change was announced. Some traders blamed the Quebec elections on November 30 for acting as a drag on the Canadian dollar.

■ OTHER CURRENCIES

Nov 18	£	$
Czech Rp	49.7563 - 49.8504	29.7390 - 29.7810
Hungary	362.343 - 362.801	216.570 - 216.740
Iran	5021.70 - 5019.30	3000.00 - 3000.00
Kuwait	0.5061 - 0.5067	0.3025 - 0.3027
Peru	5.1624 - 5.1665	3.0855 - 3.0865
Poland	5.7705 - 5.7783	3.4490 - 3.4520
Russia	30.9858 - 31.1680	18.5300 - 18.6200
U.A.E.	6.1450 - 6.1482	3.6728 - 3.6730

■ Some analysts attributed sterling's fall in early trading in Europe to the release of the minutes for the November meeting of the Bank of England's monetary policy committee (MPC).

The minutes showed eight members of the committee agreeing on the 50 basis point cut in interest rates with the serial outlier Willem Buiter holding out for a drop of 75 basis points.

But such a reaction to the minutes would be "rather puzzling," said Cameron Crise, currency strategist at SBC in London.

"This MPC meeting took place the week before the Inflation Report, and so the Report is still the latest information we have," said Mr Crise.

"And personally I didn't see much difference in tone between these minutes and the report, though of course the actions of Willem Buiter continue to astound and amaze," he added.

POUND SPOT FORWARD AGAINST THE POUND

Nov 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6342	-0.0499	248 - 435	19.7213	19.5938	19.5771	3.5	19.4728	3.3	19.1115	2.7	103.7
Belgium	(BFr)	57.5852	-0.1346	379 - 324	57.8180	57.4950	57.4165	3.5	57.1054	3.3	56.0407	2.7	103.7
Denmark	(DKr)	10.6095	-0.0268	036 - 154	10.6552	10.5964	10.5873	2.5	10.5422	2.5	10.3882	2.1	107.7
Finland	(FM)	8.4855	-0.0208	801 - 908	8.5210	8.4710	8.4614	3.4	8.4149	3.3	8.2571	2.7	83.1
France	(FFr)	9.3559	-0.0253	521 - 596	9.4020	9.3392	9.3284	3.5	9.2771	3.4	9.1044	2.7	107.3
Germany	(DM)	2.7907	-0.0071	894 - 919	2.8038	2.7848	2.7828	3.5	2.7678	3.3	2.7158	2.7	105.5
Greece	(Dr)	468.731	-2.571	451 - 010	471.737	467.051	470.582	-4.7	473.827	-4.3	485.81	-3.6	62.2
Ireland	(I£)	1.1224	-0.0026	214 - 234	1.1272	1.1204	1.1195	3.2	1.1137	3.1	1.0933	2.6	95.8
Italy	(L)	2762.03	-7.31	095 - 311	2775.13	2757.01	2754.58	3.2	2740.01	3.2	2689.77	2.6	78.5
Luxembourg	(LFr)	57.5852	-0.1346	379 - 324	57.8189	57.4950	57.4165	3.5	57.1054	3.3	56.0407	2.7	103.7
Netherlands	(Fl)	3.1467	-0.0077	451 - 483	3.1608	3.1407	3.1369	3.7	3.1196	3.4	3.061	2.7	103.3
Norway	(NKr)	12.4074	-0.0694	027 - 120	12.4783	12.3715	12.4214	-1.4	12.4462	-1.3	12.4804	-0.6	98.4
Portugal	(Es)	286.194	-0.469	000 - 388	287.727	285.649	285.403	3.3	283.839	3.3	278.53	2.7	92.9
Spain	(Pta)	237.319	-0.373	179 - 460	238.340	236.850	236.734	3.0	235.53	3.0	231.162	2.6	77.6
Sweden	(SKr)	13.4116	-0.0601	000 - 232	13.4814	13.3585	13.3755	3.2	13.3072	3.1	13.0907	2.4	78.5
Switzerland	(SFr)	2.2982	-0.0045	968 - 996	2.3074	2.2916	2.287	5.9	2.2664	5.5	2.1938	4.5	108.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.7
Ecu	-	1.4195	-0.0026	187 - 202	1.4247	1.4157	1.4159	3.1	1.4085	3.1	1.3824	2.8	-
SDR†	-	1.201500	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6732	-0.0025	728 - 736	1.6767	1.6707	-	-	-	-	-	-	-
Brazil	(R$)	1.9932	-0.002	925 - 938	1.9957	1.9892	-	-	-	-	-	-	-
Canada	(C$)	2.6008	+0.0022	993 - 022	2.6022	2.5874	2.5967	1.9	2.5891	1.8	2.5669	1.3	75.2
Mexico	(New Peso)	16.6363	-0.0494	139 - 386	16.6401	16.5942	17.018	-28.3	17.7421	-26.8	20.6348	-24.1	-
USA	($)	1.6735	-0.0025	731 - 739	1.6771	1.6710	1.6709	1.9	1.6665	1.6	1.6527	1.2	106.4
Pacific/Middle East/Africa													
Australia	(A$)	2.5986	-0.047	960 - 012	2.6647	2.5875	2.5938	2.2	2.5848	2.1	2.5601	1.5	81.8
Hong Kong	(HK$)	12.9596	-0.0173	558 - 635	12.9865	12.9412	12.9413	1.7	12.9345	0.8	13.0964	-1.1	-
India	(Rs)	71.0694	-0.0789	440 - 947	71.1710	70.9590	-	-	-	-	-	-	-
Indonesia	(Rupiah)	12718.62	+98.7	191 - 534	12805.00	12070.80	13291.89	-54.1	14250.34	-48.2	17023.51	-33.8	-
Israel	(Shk)	6.9175	-0.0392	032 - 318	6.9376	6.9032	-	-	-	-	-	-	-
Japan	(Y)	203.037	+0.339	914 - 161	204.100	202.120	201.882	6.8	199.492	7.0	190.922	6.0	124.9
Malaysia	(M$)‡	6.3593	-0.0095	849 - 893	6.3725	6.3500	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.1052	-0.0339	024 - 079	3.1645	3.1016	3.0972	3.1	3.0842	2.7	3.0596	1.5	91.7
Philippines	(Peso)	66.7727	-0.0978	894 - 580	66.9560	66.5894	67.2446	-8.5	68.1823	-8.4	72.1098	-8.0	-
Saudi Arabia	(SR)	6.2768	-0.0088	750 - 785	6.2881	6.2674	6.2712	1.1	6.2645	0.8	6.2601	0.3	-
Singapore	(S$)	2.7312	-0.0073	288 - 335	2.7796	2.7246	2.72	4.9	2.701	4.4	2.6502	3.8	-
South Africa	(R)	9.4972	-0.0474	865 - 078	9.5415	9.4644	9.5868	-11.3	9.7653	-11.3	10.5322	-10.9	-
South Korea	(Won)	2167.18	-19.01	332 - 105	2188.62	2163.32	-	-	-	-	-	-	-
Taiwan	(T$)	54.4490	-0.0646	310 - 670	54.5482	54.3727	54.5225	-1.6	54.5194	-0.5	54.5177	-0.1	-
Thailand	(Bt)	60.6979	-0.3805	997 - 960	61.1190	60.4180	60.6781	0.4	60.8346	-0.9	62.3008	-2.8	-

† Rates for Nov 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.7324	-0.0126	296 - 352	11.7760	11.7070	11.7166	1.6	11.6824	1.7	11.5634	1.4	103.6
Belgium	(BFr)	34.4100	-0.03	900 - 300	34.5200	34.3400	34.363	1.6	34.2625	1.7	33.9075	1.5	103.7
Denmark	(DKr)	6.3397	-0.0067	377 - 417	6.3625	6.3280	6.3363	0.6	6.3252	0.9	6.2942	0.9	107.0
Finland	(FM)	5.0705	-0.065	685 - 725	5.0880	5.0605	5.064	1.5	5.0489	1.7	4.996	1.5	82.5
France	(FFr)	5.5906	-0.007	897 - 915	5.6123	5.5799	5.5829	1.7	5.5661	1.8	5.5096	1.5	106.9
Germany	(DM)	1.6676	-0.0018	672 - 679	1.6740	1.6639	1.6653	1.6	1.6606	1.7	1.6432	1.5	105.1
Greece	(Dr)	280.090	-1.125	990 - 190	281.710	279.170	281.625	-6.6	284.29	-6.0	293.94	-4.9	61.6
Ireland	(I£)	1.4910	+0.0012	900 - 920	1.4940	1.4855	1.4926	-1.2	1.4966	-1.5	1.5117	-1.4	-
Italy	(L)	1650.45	-1.95	030 - 070	1656.75	1647.10	1648.58	1.4	1643.97	1.6	1627.45	1.4	76.3
Luxembourg	(LFr)	34.4100	-0.03	900 - 300	34.5200	34.3400	34.363	1.6	34.2625	1.7	33.9075	1.5	103.7
Netherlands	(Fl)	1.8803	-0.0019	798 - 808	1.8878	1.8761	1.8774	1.9	1.8717	1.8	1.852	1.5	103.0
Norway	(NKr)	7.4140	-0.0306	130 - 150	7.4521	7.3948	7.434	-3.2	7.4675	-2.9	7.5512	-1.9	92.7
Portugal	(Es)	171.015	-0.03	940 - 090	171.880	170.700	170.81	1.4	170.3	1.7	168.525	1.5	93.5
Spain	(Pta)	141.810	-0.015	760 - 860	142.300	141.490	141.683	1.1	141.315	1.4	139.865	1.4	77.5
Sweden	(SKr)	8.0141	-0.0361	091 - 191	8.0462	7.9867	8.005	1.4	7.9941	1.5	7.9305	1.2	79.1
Switzerland	(SFr)	1.3733	-0.0007	728 - 738	1.3775	1.3689	1.3687	4.0	1.3598	3.9	1.3274	3.3	109.0
UK	(£)	1.6735	-0.0025	731 - 739	1.6771	1.6710	1.6709	1.9	1.6665	1.6	1.6527	1.2	100.9
Ecu	-	1.1790	+0.0004	786 - 793	1.1825	1.1758	1.1802	-1.2	1.1834	-1.5	1.1956	-1.4	-
SDR	-	0.71580†	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1910	+0.0005	909 - 911	1.1911	1.1905	-	-	-	-	-	-	-
Canada	(C$)	1.5541	+0.0036	536 - 546	1.5546	1.5450	1.554	0.0	1.5534	0.2	1.5531	0.1	75.1
Mexico	(New Peso)	9.9350	-0.015	300 - 400	9.9400	9.9270	10.185	-30.2	10.645	-28.6	12.485	-25.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.7
Pacific/Middle East/Africa													
Australia	(A$)	1.5528	-0.0257	516 - 540	1.5898	1.5454	1.552	0.6	1.5494	0.9	1.5387	0.9	50.2
Hong Kong	(HK$)	7.7440	+0.001	435 - 445	7.7455	7.7435	7.7452	-0.2	7.7605	-0.9	7.924	-2.3	-
India	(Rs)	42.4675	+0.015	625 - 725	42.4725	42.4320	42.8975	-12.2	43.7175	-11.8	46.9625	-10.6	-
Indonesia	(Rupiah)	7600.00	+70	000 - 000	7650.00	7200.00	7955	-56.1	8590	-50.0	10300	-35.5	-
Israel	(Shk)	4.1338	-0.0173	260 - 411	4.1463	4.1260	-	-	-	-	-	-	-
Japan	(Y)	121.325	+0.38	280 - 370	121.750	120.740	120.825	4.9	119.69	5.4	115.52	4.8	126.3
Malaysia	(M$)‡‡	3.8000	+1.63	300 - 300	3.8000	3.8001	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8555	-0.0175	543 - 567	1.8904	1.8539	1.8586	-2.0	1.864	-1.8	1.8828	-1.5	-
Philippines	(Peso)	39.9000	-	000 - 000	40.0000	39.8000	40.245	-10.4	40.9065	-10.1	43.63	-9.3	-
Saudi Arabia	(SR)	3.7507	+0.0002	505 - 508	3.7508	3.7505	3.7532	-0.8	3.7587	-0.9	3.7877	-1.0	-
Singapore	(S$)	1.6320	-0.002	310 - 330	1.6585	1.6280	1.6279	3.0	1.6205	2.8	1.6035	1.7	-
South Africa	(R)	5.6750	-0.02	700 - 800	5.6920	5.6575	5.7375	-13.2	5.859	-13.0	6.3725	-12.3	-
South Korea	(Won)	1295.00	-9.45	300 - 700	1305.00	1293.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.5360	+0.009	330 - 390	32.6390	32.5330	32.631	-3.5	32.711	-2.2	32.986	-1.4	-
Thailand	(Bt)	36.2700	-0.18	200 - 200	36.5000	36.1050	36.315	-1.5	36.5	-2.5	37.695	-3.9	-

† SDR rate per $ for Nov 17. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. 1990=100. Bid, offer, mid spot rates and forward rates in both this and the pound table are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.42	16.25	4.846	1.949	4796	5.464	21.55	497.0	412.1	23.29	3.991	1.737	4.516	2.906	352.6	2.465
Denmark	(DKr)	54.28	10	8.818	2.630	1.058	2603	2.966	11.69	269.8	223.7	12.64	2.166	0.943	2.451	1.577	191.4	1.338
France	(FFr)	61.55	11.34	10	2.983	1.200	2952	3.363	13.26	305.9	253.7	14.33	2.456	1.069	2.780	1.789	217.0	1.517
Germany	(DM)	20.63	3.802	3.352	1	0.402	989.7	1.128	4.446	102.6	85.04	4.806	0.824	0.358	0.932	0.600	72.75	0.509
Ireland	(I£)	51.31	9.453	8.336	2.486	1	2461	2.804	11.05	255.0	211.4	11.95	2.048	0.891	2.317	1.491	180.9	1.265
Italy	(L)	2.085	0.384	0.339	0.101	0.041	100	0.114	0.449	10.36	8.592	0.486	0.083	0.036	0.094	0.061	7.351	0.051
Netherlands	(Fl)	18.30	3.372	2.973	0.887	0.357	877.8	1	3.943	90.95	75.42	4.262	0.730	0.318	0.827	0.532	64.52	0.451
Norway	(NKr)	46.41	8.551	7.541	2.249	0.905	2226	2.536	10	230.7	191.3	10.81	1.852	0.806	2.096	1.349	163.6	1.144
Portugal	(Es)	20.12	3.707	3.269	0.975	0.392	965.1	1.100	4.335	100	82.92	4.686	0.803	0.349	0.909	0.585	70.94	0.496
Spain	(Pta)	24.26	4.471	3.942	1.176	0.473	1164	1.326	5.228	120.6	100	5.651	0.968	0.421	1.096	0.705	85.55	0.598
Sweden	(SKr)	42.94	7.911	6.976	2.081	0.837	2059	2.346	9.251	213.4	177.0	10	1.714	0.746	1.939	1.248	151.4	1.058
Switzerland	(SFr)	25.06	4.616	4.071	1.214	0.488	1202	1.369	5.399	124.5	103.3	5.836	1	0.435	1.132	0.728	88.35	0.618
UK	(£)	57.59	10.61	9.356	2.791	1.122	2762	3.147	12.41	286.2	237.3	13.41	2.298	1	2.601	1.674	203.0	1.419
Canada	(C$)	22.14	4.079	3.597	1.073	0.432	1062	1.210	4.771	110.0	91.25	5.157	0.884	0.385	1	0.643	78.07	0.546
USA	($)	34.41	6.340	5.591	1.668	0.671	1650	1.880	7.414	171.0	141.8	8.014	1.373	0.598	1.554	1	121.3	0.848
Japan	(Y)	28.36	5.225	4.608	1.375	0.553	1360	1.550	6.111	141.0	116.9	6.605	1.132	0.493	1.281	0.824	100	0.699
Ecu	-	40.57	7.475	6.591	1.966	0.791	1946	2.217	8.741	201.6	167.2	9.449	1.619	0.705	1.832	1.179	143.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5990	0.6006	+0.0014	0.6020	0.5979	12,373	87,722
Mar	0.6015	0.6032	+0.0016	0.6038	0.6015	57	1,862
Jun	-	0.6050	+0.0013	0.6050	-	5	1,170

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7288	0.7307	+0.0015	0.7328	0.7276	12,644	37,486
Mar	0.7382	0.7382	+0.0024	0.7392	0.7370	83	503
Jun		0.7445	+0.0029	0.7445	-	1	23

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8291	0.8285	-0.0005	0.8317	0.8241	22,836	77,111
Mar	0.8400	0.8396	-0.0004	0.8400	0.8385	445	5,033
Jun	-	0.8496	-	-	-	3	3,252

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6748	1.6710	-0.0038	1.6750	1.6668	3,961	48,790
Mar	1.6644	1.6644	-0.0042	1.6644	1.6630	17	1,768
Jun	-	1.6600	-0.0026	-	1.6590	4	1,202

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
93000	0.255	0.610	1.190	0.015	0.030	0.040
93125	0.155			0.040		
93250	0.075	0.590	0.985	0.065	0.060	0.085
93375	0.030			0.165		
93500	0.010	0.395	0.755	0.270	0.115	0.105
93625	0.005			0.390		

Est. vol. total, Calls 15966 Puts 6536. Previous day's open int., Calls 582109 Puts 609451

EMS EUROPEAN CURRENCY UNIT RATES

Nov 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	328.609	-1.148	-7.95	7.82	53
Denmark	7.54257	7.44240	-0.00152	-1.33	0.40	9
Ireland	0.796244	0.787448	-8e-05	-1.10	0.17	7
Spain	168.220	166.471	-0.028	-1.04	0.11	7
France	6.63186	6.56407	-0.00155	-1.02	0.09	9
Italy	1957.61	1937.74	-0.15	-1.02	0.08	7
Germany	1.97738	1.95749	-0.00046	-1.01	0.07	10
Belgium	40.7844	40.3768	-0.0095	-0.99	0.06	7
Austria	13.9119	13.7734	-0.0032	-1.00	0.06	7
Finland	6.01125	5.95268	-0.00046	-0.97	0.04	6
Portugal	202.692	200.775	-0.024	-0.95	0.01	6
Netherlands	2.22799	2.20717	-0.00052	-0.93	0.00	7
NON ERM MEMBERS						
UK	0.653644	0.701511	+0.001132	7.32	-7.69	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. 16/3/98 Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Exeter Trust Limited	7.75	Smith & Williamson	6.75
Allied Irish Bank (GB)	6.75	Financial & Gen Bank	8.00	Sun Bank	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Heritable & Gen Inv Bk	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	7.50	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	●Hambros Bank	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	Hongkong & Shanghai	6.75		
Barclays Bank	6.75	Investec Bank (UK) Ltd	6.75		
Brit Bk of Mid East	6.75	Julian Hodge Bank	6.75		
●Brown Shipley & Co Ltd	6.75	●Leopold Joseph & Sons	6.75		
Citibank NA	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Midland Bank	6.75		
The Co-operative Bank	6.75	NatWestminster	6.25		
Coutts & Co	6.75	●Rea Brothers	6.75		
Cyprus Popular Bank	7.25	Royal Bk of Scotland	6.75		
Duncan Lawrie	6.75	Scottish Widows Bank	6.75		
		●Singer & Friedlander	6.75		

● Members of London Investment Banking Association

COMMODITIES & AGRICULTURE

Oil prices tumble to fresh lows

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Paul Solman

Oil prices dropped to new lows yesterday as traders searched in vain for positive news to lift the gloomy sentiment surrounding crude.

The price of Brent Blend futures contracts fell to a new low of $11.20 a barrel, 10 cents down on the previous low of $11.30 recorded in October 1988.

The contract for January delivery was quoted at $11.25 in late trading on London's International Petroleum Exchange, down 18 cents from Tuesday's close.

In early afternoon trading in New York the Nymex December contract fell below $12 a barrel for the first time since June.

Although the latest inventory statistics from the US showed a modest draw-down of stocks over the past week, they also highlighted the scale of the oil surplus problem. The American Petroleum Institute estimated crude stocks in the US are up 8.6 per cent year-on-year.

On the London Metal Exchange, three-month copper closed up $12 a tonne at $1,602. Traders said the rise was caused by funds covering short positions, adding that copper was unlikely to break out of its recent depressed range of $1,570 to $1,605 until more output cuts were announced.

The International Copper Study Group is now forecasting a 1998 copper supply surplus of 300,000 tonnes, up from its June forecast of 120,000 tonnes. It is sticking to its forecast of a 300,000 tonnes surplus next year.

It said the consumption outlook was weakening but stressed that "no allowance has been made in these projections for additional production capacity closure".

Coffee and cocoa ended little changed on the London International Financial Futures and Options Exchange. Cocoa remained weak, in spite of forecasts that consumption will exceed production by as much as 90,000 tonnes this year, and analysts say fears remain over demand.

December cocoa was £974 a tonne, £2 higher than Tuesday's close. January robusta coffee was down $4 at $1,644 a tonne, while nearby November coffee lost $20 to $2,125 a tonne.

VAW in mood to expand

Under its new chairman Viag's aluminium subsidiary hopes to join in the industry's restructuring, writes Kenneth Gooding

Signs that Viag wanted its VAW unit to be a bigger and more aggressive player in the aluminium industry were clear long before this week's news that the German conglomerate was talking to Switzerland's Algroup, formerly Alusuisse.

In addition, Helmut Burmester, who took over as VAW's chairman in April, has been insisting that his group hoped to play its part in the consolidation of the global aluminium industry.

Speaking last month in his office in Bonn, however, he admitted finding a big deal, of up to DM1bn ($600m), would not be easy. "I put the chances at 50-50," he said.

Certainly, the industry was reshaping itself in a substantial way but it was a small industry and VAW's choices were limited because it wanted to remain focused on its four core businesses: aluminium rolling; primary aluminium smelting; flexible packaging and aluminium automotive castings. "And, of course, we want to add value to any acquisition," said Mr Burmester.

A deal VAW completed in May, however, showed what might be possible. It acquired the European aluminium rolling operations of Reynolds Metals, the US group, giving VAW additional capacity in Germany, Italy and Spain. Mr Burmester said the deal would help it more than double its pretax profit this year, to about DM440m from DM217m, making it one of the most profitable parts of Viag.

The Reynolds acquisition, which was profitable from the outset, is expected to add about DM700m to VAW's sales, which reached DM5.1bn last year, and add 180,000 tonnes of annual rolling capacity to its existing 400,000 tonnes. No price has been revealed.

The first sign that Viag intended to build VAW came in 1992 when VAW set up a castings business: it is now the biggest independent supplier of aluminium engine blocks and cylinder heads.

Mr Burmester insisted: "Only a rich company can afford to start a new business. You need two or three sound, existing businesses to start a new one with its own technology."

A second move, in 1996, was the disposal of VAW's aluminium extrusion operations in Bonn, which employed 500 and had a turnover of DM150m. These were sold to Hoogovens of the Netherlands. Mr Burmester said the disposal showed VAW was confident enough to sell non-core operations.

Finally, so far, Mr Burmester's appointment, to succeed Jochen Schirner, who had been reshaping VAW, was an indication that Viag was very keen to give VAW more autonomy. He said Viag was willing to sell up to 49 per cent so VAW could have a separate stock market listing.

Mr Burmester, who was chairman of Aral, the German oil company, before joining Klöckner, the steel group, as chairman in 1993, was free to take over because Viag had in late 1996 decided to restructure Klöckner and keep only its steel distribution operations. This meant his role as chairman was coming to an end by mid-1999 at the latest.

He suggested it was difficult to view VAW as a separate company from Viag until recently. Its chairman, Mr Schirner, was on the Viag board and the two companies shared a headquarters in Bonn as well as some central services.

Viag has now moved to Munich after refocusing its operations and deciding VAW will remain a core business.

Mr Burmester said: "One of the reasons I came here was to establish VAW's independence. The Viag board knows me well and knows I want independence. I am also here to raise VAW's profile and to expand the group. No one expects me to be a brilliant aluminium guy."

Helmut Burmester: Keen to establish VAW's independence

There is plenty of organic growth to come from three of VAW's four divisions, he insisted, and it might well become involved in joint projects to expand its primary aluminium operations.

"It is still an open question whether we should cover 50 or 70 per cent of our own aluminium requirements," said Mr Burmester. At present two-thirds are covered.

While waiting for any big deal to come along, VAW is assembling smaller packages of acquisitions for three of its divisions. Its flexible packaging business is being expanded in Asia in this way, for example.

Mr Burmester said any expansion depended on present operations remaining in good shape and improving their performance.

"The Reynolds acquisition sent a message to the industry that VAW was in the mood to expand and to join in the industry restructuring. We have had lots of suggestions since then. So it is important that VAW remains healthy and gets the day-to-day stuff right."

Surge in US sales of gold coins

By Kenneth Gooding, Mining Correspondent

Worries about potential chaos in financial markets because of the "millennium bomb" are helping to create a surge in gold coin sales in the US, according to the World Gold Council.

It says US mints sold 23.5 tonnes of gold coins in the third quarter, nearly three times the previous record for those months – 8.7 tonnes in 1997 – and helped global demand for the precious metal recover from a poor start to the year.

In the first nine months of this year, 50.3 tonnes of gold coins have been sold in the US and "1998 looks likely to challenge previous record years," said George Milling-Stanley, the council's manager of gold market analysis.

The "millennium bomb", or Y2K problem, refers to difficulties that are already beginning to arise because older computer systems are unable to recognise the date change from 1999 to 2000.

Mr Milling-Stanley, introducing the council's latest Gold Demand Trends survey, suggested financial market turmoil and "a growing appreciation of the value of gold in helping to diversify investment portfolios" also encouraged the jump in gold coin sales in the US.

The WGC, a promotional organisation financed by some gold mining groups, monitors 25 markets responsible for about 80 per cent of total gold demand. It says demand in the third quarter, at 676 tonnes, was only 1 per cent below the third quarter record set in 1997.

Demand for the first three quarters was 1,712.2 tonnes, 20 per cent below the same months last year. The WGC says there has been a steady improvement since the first quarter.

See Observer

NEWS DIGEST

SUGAR

Brazil foreseen overtaking EU in sugar production

Brazil is set to overtake the European Union as the world's largest sugar producer this season, according to figures from C. Czarnikow. In its latest sugar review, the international sugar broker forecasts Brazil's raw sugar output for 1998-99 at 17.9m tonnes, against the EU's 17.4m tonnes. Last season, Brazil produced just under 16m tonnes compared with the EU's 19m tonnes.

Brazil's sugar output has benefited from an especially good cane crop in the centre-south of the country, Czarnikow said. Brazilian farmers also switched more of the crop from alcohol production to sugar after a sharp rise in alcohol stocks following deregulation of the market.

In Europe, where beet is grown rather than cane, the crop has been hit by wet weather. "In west Europe there has been a clear demonstration of the impact of weather on the potential of a beet crop," Czarnikow said. The French crop is forecast at 4.6m tonnes, compared with 5.2m tonnes last season, while the UK crop is likely to be 1.5m tonnes, against 1.7m tonnes last time.

Eastern Europe has been "the victim of limited inputs, finance and management, so that the potential that exists in the field is unlikely to be realised in the final sugar outturn". Total production from the former Soviet Union region is put at 3.7m tonnes against 4.1m tonnes last season.

Sugar supply is likely to continue to outstrip consumption. Czarnikow forecasts global production at 128.5m tonnes this season against consumption of 124.3m tonnes, compared with 126m tonnes and 123m tonnes, respectively, in 1997-98. Total cane production is expected to rise to around 92m tonnes from 88m tonnes last time, while global beet output is forecast to fall to 36.5m tonnes from 38.2m tonnes in 1997-98. **Paul Solman**

LIQUEFIED NATURAL GAS

Mobil to open plant in Nigeria

Lucio Noto, Mobil president, and General Abdulsalami Abubakar, Nigeria's military ruler, will today formally open a $810m liquefied natural gas plant on the coast of south-east Nigeria, which is fleetingly to become the largest gas plant in sub-Saharan Africa.

The Oso project – a 51/49 per cent joint venture between the US oil group and the Nigerian National Petroleum Corporation initiated in 1995 – is aiming for peak production of 50,000 barrels a day by the end of this year, according to Paul Caldwell, managing director of Mobil Producing Nigeria,

The opening of the Oso plant takes oil companies operating in Nigeria a step further towards reducing controversial and environmentally-damaging gas flaring in the country's oilfields, and over its lifespan it will produce an estimated 350m barrels of gas.

However, the plant should be dwarfed by the nearby $4bn Nigerian Liquefied Natural Gas plant, which is due to start production of about 7bn cu m of gas a year by the end of 1999. The NNPC has a 49 per cent share in the NLNG plant, with Agip, Elf and Shell holding 51 per cent between them. **William Wallis, Lagos**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1303.5-4.5	1317-17.5
Previous	1296-7	1313-4
High/low		1319/1305
AM Official	1298.5-9.0	1310-11
Kerb close		1315-6
Open int.	333,023	
Total daily turnover	39,428	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1090-95	1120-25
Previous	1085-90	1115-7
High/low		1122/1117
AM Official	1089-90	1117-20
Kerb close		1120-25
Open int.	7,660	
Total daily turnover	2,409	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	500-501	501-1.5
Previous	488-9	497.5-8.0
High/low		506/500
AM Official	493-4	498-8.5
Kerb close		501-2
Open int.	39,643	
Total daily turnover	10,296	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4170-80	4240-50
Previous	4160-70	4230-35
High/low		4295/4210
AM Official	4160-65	4230-35
Kerb close		4210-15
Open int.	64,854	
Total daily turnover	9,144	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5440-50	5405-10
Previous	5450-60	5410-15
High/low		5425/5395
AM Official	5425-30	5395-400
Kerb close		5415-20
Open int.	18,891	
Total daily turnover	9,842	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	965.5-66.5	983-84
Previous	965-6	982-3
High/low		989/983
AM Official	966.5-7.0	983.5-4.0
Kerb close		986-7
Open int.	85,582	
Total daily turnover	20,066	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1572.5-3.5	1599-600
Previous	1560-1	1588-9
High/low		1605/1589
AM Official	1580.5-1.0	1588-9
Kerb close		1601-2
Open int.	168,465	
Total daily turnover	38,596	

■ LME AM Official £/$ rate: 1.6735
LME Closing £/$ rate: 1.6740

Spot: 1.6715 3 mths: 1.6649 6 mths: 1.6591 9 mths: 1.6542

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	297.8	+3.3	-	-	3	3
Dec	298.2	+3.3	299.1	294.7	14,668	47,069
Feb	300.3	+3.2	301.3	297.3	3,699	26,347
Apr	302.3	+3.2	302.8	300.1	473	16,595
Jun	304.0	+3.2	304.9	301.8	171	14,442
Aug	305.7	+3.2	306.5	306.5	13	5,802
Total					18,831	153,511

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	352.4	+3.5	355.5	348.9	1,252	14,182
Apr	353.4	+3.5	355.5	352.5	63	634
Jul	354.8	+3.3	350.0	350.0	10	180
Oct	356.1	+3.3	355.0	355.0	16	993
Total					1,324	15,989

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	292.50	+11.65	292.50	283.50	464	1,235
Mar	291.50	+11.90	292.25	285.00	225	1,364
Jun	289.50	+11.90	-	-	2	5
Total					689	2,729

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	496.4	+4.5	-	-	70	60
Dec	497.2	+4.5	500.5	491.5	8,203	35,650
Jan	499.4	+4.5	510.0	510.0	-	88
Mar	502.9	+4.7	506.0	498.0	2,004	22,086
May	505.6	+4.8	504.5	504.5	269	4,892
Jul	508.0	+4.8	512.0	508.0	440	5,615
Total					11,259	153,511

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	12.10	-0.35	12.60	12.00	44,021	43,249
Jan	12.66	-0.12	13.05	12.65	58,973	126k
Feb	13.03	-0.08	13.35	13.00	20,207	55,352
Mar	13.40	+0.01	13.65	13.30	14,095	35,280
Apr	13.72	+0.06	13.91	13.61	3,698	17,997
May	14.04	+0.13	14.20	13.95	3,384	16,324
Total					166,415	508,677

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	11.41	-0.02	11.70	11.37	17,044	100k
Feb	11.75	-0.06	12.00	11.75	7,629	32,291
Mar	12.08	-0.02	12.23	12.05	3,574	20,505
Apr	12.35	-0.02	12.50	12.30	4,742	15,021
May	12.64	+0.03	12.74	12.55	3,405	8,130
Jun	12.88	+0.03	13.05	12.85	512	18,556
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	34.85	-0.25	35.60	34.80	16,978	42,484
Jan	36.20	-0.25	36.90	36.20	12,763	49,477
Feb	37.45	-0.05	38.00	37.35	6,872	30,364
Mar	38.10	-0.10	38.70	38.10	4,971	20,382
Apr	38.60	+0.10	39.05	38.60	750	10,696
May	39.30	+0.40	39.40	39.10	918	8,185
Total					45,223	198,235

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.15	-0.50	78.75	78.75	56	57
Jan	79.40	-0.50	79.90	79.40	141	2,584
Mar	81.40	-0.50	82.00	81.40	220	3,151
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	975	+3	975	970	4,018	33,454
Mar	1010	+3	1011	1005	2,353	41,215
May	1030	+3	1030	1026	1,625	18,796
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LIFFE (5 tonnes; $/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

[illegible]

INDICES

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Dec	62.000	-0.700	62.900	61.950	12,779	33,507
Feb	63.025	-0.650	63.900	63.000	6,242	35,322
Apr	65.125	-0.250	65.800	65.100	2,992	20,787
[illegible]						10,899
[illegible]						6,457
[illegible]						1,301
Total						108,788

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
[illegible]						15,179
[illegible]						14,055
[illegible]						5,066
[illegible]						3,425
[illegible]						1,776
[illegible]						1,606
Total						42,342

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
[illegible]						4,226
[illegible]						532
[illegible]						315
[illegible]						103
Total						5,248

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,843 Set by ORENSE

ACROSS

1 Developed trade link between east and west (6,5)
7 Currency project that'll never get off the ground (3)
9 Gamble on earnings rising to begin with (5)
10 Working on print of charity shop, for example (9)
11 Who to blame? Accountant in postage fiddle (9)
12 Does it convey ones feelings or hide them? (5)
13 Outside broadcast following championship (4-3)
15 Catch sight of leader going east for awards (4)
18 Investor in silver, by the way (4)
20 Growth that is safer, perhaps (7)
23 The sort of performance accountant and I object to in the end (5)
24 How to react when unable to shift gear? (9)
26 Dirty train breaking down before Slough (9)
27 Saying nothing after second race (5)
28 No no (3)
29 How might MP end the day with nothing to give? (5-6)

DOWN

1 Men jump at chance of redemption here (8)
2 Red light district (2-2,4)
3 Spread butter, say, on getting up (5)
4 Able to perform with original sincerity (7)
5 No points – better not having a break (3-4)
6 Through which the gods might view actors? (9)
7 Try and keep lower grades on top (6)
8 United players let go (6)
14 Let writer hear the viewers (9)
16 A worry to ladies in quarantine? (8)
17 It might go over one's head, if very young (8)
19 Pushing out the boat (7)
20 Came across tracks where casts could be made (7)
21 Disorganised and spiteful head of school came first (6)
22 Hurts, having clever son (6)
25 Short nautical type up for a dance (5)

Solution 9,842

TEMPEST LABOURS / ELDER INVIOLATE / FLUOROSIS DREAM / HAMBA INATEMPER / MORELIGHT SHREW / CANIS MANICHEAN / ANGLEIRON WIVES / OUTPLAY STRIDER

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Newton Fund Mgrs - Contd.

Newton Offshore Strategy Fund Ltd

Perpetual Fund Management (Jersey) Ltd

Perpetual Offshore Income Accumulator Fund Ltd

Prudential Fund Managers (Jersey) Ltd

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI)

Cazenove International Asset Mngt Ltd (CIAM)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Management (Jersey) Ltd

INVESCO International Limited

Investec Management Co (Jersey) Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lazard Investment Funds (CI) Ltd

Liberty International Asset Management

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

WMD Asset Management (Jersey) Ltd

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

American Pioneer Investment Portfolios (u)

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (u)

Barclays Intl Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Chase Manhattan Vista Funds

Compagnie Financière Fédéral

Credit Agricole Indosuez

Dan Norske Bank

Dresdner RCM Global Investors (UK) Ltd

Fidelity Funds (u)

Fleming Group

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Foreign & Colonial Portfolios Fd Sicav(u)

Framlington International Portfolios

Fondmanager I (u)

GT Global

Henderson Management SA (u)

HSBC Investment Funds Luxembourg SA (u)

INVESCO International Limited (u)

Jupiter Tyndall Global Fund

Liberty Newport World Portfolio (u)

Lloyds Bank Luxembourg

Lombard Odier Invest (u)

Mercury Asset Management

Merrill Lynch International

Morgan Stanley Sicav

Nikko Global Umbrella Fund

Nomura Global Fund

PRICOA Worldwide Inv Portfolio Sicav (u)

Schroder International Selection Fd (u)

S-E-Banken Luxembourg SA

Scudder Global Opportunities Funds

Templeton Global Strategy Funds (u)

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Aetna International Umbrella Fund (u)

Aetna Master Fund (u)

Arca Bank (Switzerland) Ltd

Banque Colbert S.A.

Banque Ferrier Lullin (Lux) SA

Banque Internationale A Luxembourg

Barclays Liquidity Portfolio

Clerk Capital Management Group Inc

Cox & Kings Overseas Fund

Credit Agricole Indosuez

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse Asset Mgmt Funds

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

Dresdner RCM European Bond Fund

Egypt Trust

Emerging Markets Brewery Fund SICAV

The European Asset Value Fund

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fischer Francis Trees & Watts

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Framlington Russian Investment Fund

Franklin Templeton Worldwide Funds

Fred Alger Management Inc

Global Bond Trust

INVESCO International Limited

InterSel Investment Fund SICAV

Lazard Holdings

Lloyds Bank Luxembourg

MC Securities Limited London

MFS American Funds

Merrill Lynch Asset Management

Nikko Global Umbrella Fund

Nomura Asia Infrastructure Fd SICAV

Pictet Group

Regent Korea Emerging Growth Fund

Rosenberg Management SA

Rothschild (Group Edmond de)

Royal Bank of Canada

SICAV Asia Pacific Umbrella Fund

Scudder Global Opportunities Funds

Selignac Global Horizon Funds

Signet Fund SICAV

State Street Research & Management Co

Templeton Emerging Asia

TCW Luxembourg Funds

Templeton Russian & East European Debt Fd

Tower Fund

Tweedy, Browne Value Funds

UBS AG

Unicapital Investments

Union Financial Services SA Lux

Union Bancaire Privée

Vesper Consell

"WINTERTHUR" Fund Mngmt Co (Lux) SA

WP Stewart Global Growth Fund

World Invest SICAV

World Trust Fund

OFFSHORE INSURANCES

Aberdeen International Ltd

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

CMI Ins Co Ltd/Clerical Med Life

Eagle Star Intl Life

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Equitable Life (International)

Albert Hs, Sth Esp'de, St Peter Pt, Guy 01481 716021

Equity Fund Managers

Eurolife Assurance Group

Eurolife Hse, 16 St John St, EC1M 4AY 0171-454 1151

Finexco International Ltd

PO Box 193, St Peter Port, Guernsey 01481 713190

Friends Provident International

Albert House, Sth Esp'de, St Peter Pt, Guy 01481 700210

PanEuroLife societe anonyme

7, Rue de la Chapelle L-1325 Lux

Premier Life

Royal & Sun Alliance Intl Financial Srvs

Royal Court, Arbery Rd, Castletown IoM 01624 821212

OTHER OFFSHORE FUNDS

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

GAS DISTRIBUTION

ENGINEERING - Continued

HEALTH CARE

ENGINEERING, VEHICLES

HOUSEHOLD GOODS & TEXT

EXTRACTIVE INDUSTRIES

INSURANCE

FOOD PRODUCERS

FOOD PRODUCERS - Continued

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	[illegible]	–	5.8	6.4
Barlow R		[illegible]	[illegible]	[illegible]	[illegible]	–	4.5	9.6
Investec Group		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Investec Hldgs		[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SA Breweries R	†	£11	[illegible]	[illegible]	[illegible]	–	3.2	15.5
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	–	3.3	9.4
Tiger Oats		600		989	375	–	3.2	[illegible]
Tongaat-Hulett R		433¾	+25¾	762½	287¾	–	5.0	7.3

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		[illegible]	—	[illegible]	£472	–	–	–

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 21.4(a) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available - see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ■ Price at time of suspension
- . Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Annualised dividend. d Yield after scrip excludes a special payment. I Indicates dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield excludes a special 1999. E Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.FT.com, which also has the closing share prices printed on these pages.

Profit-taking triggers modest losses in equities

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

An initially positive response by London's equity market to news that the US Federal Reserve had cut interest rates for the third time since the end of September, quickly gave way to profit-taking yesterday.

After a day of sizeable swings in both directions, the FTSE 100 index only just managed to clamber off the day's lows, finishing 28.7 down at 5,474.0, having posted a 35.6 fall only a minute before the official close.

Unlike the leaders, there was no real cushion for the mid and smallcaps – both FTSE indices remained in negative territory all day.

The FTSE 250 index finished at a session low of 5,474.0, down 28.7, while the FTSE SmallCap was a disappointing 8.1 weaker at 2,052.8.

Some dealers were taken aback by London's early strength, given that Wall Street ended Tuesday's session with the Dow Jones Industrial Average down 25 points and back below the 9,000 level.

Wall Street gave no real help to European markets at the opening yesterday, the Dow moving either side of the 9,000 level shortly after the opening.

Traders in London also pointed to an ever-lengthening list of companies announcing disappointing results, on top of profit warnings that continue to chip away at the market's confidence.

Those disappointments have tended to undermine the stock market's second liners and smallcap stocks, especially over the past two sessions, which have seen the FTSE 250 and SmallCap indices under constant downside pressure.

Apart from the positive sentiment derived from the US interest rate cut, the market had also responded to hopes of further reductions in UK interest rates in the short term after the latest domestic economic news.

The minutes of the November 5 meeting of the Bank of England's monetary policy committee showed that eight of the members had voted for a 50 basis points cut in rates with the ninth member, Willem Buiter, a former "hawk" calling for a 75 basis points cut.

High street retail sales, meanwhile, fell 0.4 per cent in October, reducing the annual rate of growth to just 1 per cent. The optimists are now looking ahead to the next meeting of the mpc, scheduled for December 10, for a further easing of monetary policy.

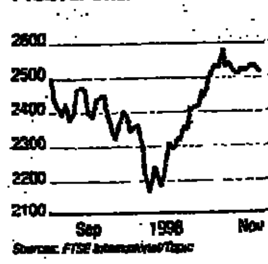
David McBain at BT Alex Brown, which has an end-year FTSE 100 target of 5,300, said another UK rate cut after the December 10 meeting is "still a possibility". He added that "there are no surprises about the current stream of earnings downgrades given the decline in gross domestic product forecasts".

He continued: "Growth expectations are becoming modest in the extreme, which means the flow of downgrades will speed up. In that environment it is difficult to get too excited about the market."

But he insisted the technical position "is still supportive – institutional demand for equities is still healthy and the equity supply is still modest".

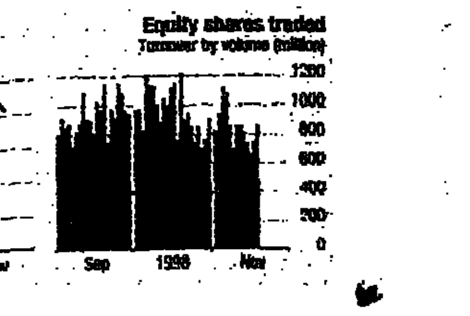
Turnover in equities reached 850m shares by the 6pm count.

FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5474.0	–28.7
FTSE 250	4780.9	–28.2
FTSE 350	2603.7	–14.0
FTSE All-Share	2517.70	–13.30
FTSE All-Share yield	3.12	3.10

FT 30	3292.6	–15.3
FTSE Non-Fins p/e	21.04	21.14
FTSE 100 Fut Dec	5495.0	–35.0
10 yr Gilt yield	4.88	4.98
Long gilt/equity yld ratio	1.55	1.57

Best performing sectors

1. Electronic & Elect Equip +0.9
2. Health Care +0.2
3. Telecommunications +0.2
4. Gas Distribution +0.1
5. Life Assurance +0.0

Worst performing sectors

1. Diversified Industrials –7.9
2. Distributors –2.9
3. Oil Exploration & Prod –2.4
4. Water –2.1
5. Support Services –2.0

Safeway soars on figures

COMPANIES REPORT

By Joel Kibazo, Martin Brice and Caroline von Loewenich

Food retailer Safeway threw off recent sector concerns about current trading and sprinted ahead after it delivered a favourable statement with its interim figures.

The group recorded 28-week to October 10 profits of £187.4m, down from £228.8m, but also said first-half like-for-like sales were 4.7 per cent ahead, rising to 4.9 per cent in the first five weeks of the second half.

Safeway's warning that Christmas trading will be "more challenging than for many years" had little impact on sentiment.

The shares, which have underperformed the market by just over 33 per cent this year, jumped 14½ or 5.3 per cent to 290½p, the best performer in the FTSE 100. With a big buyer said to have been active in the market, turnover rose to 15m to make it the second most actively traded Footsie stock yesterday.

Full-year profit estimates are likely to be held in the £350m to £370m range although several analysts remain cautious. One broker said: "We have had favourable outlooks from Safeway several times in the recent past but the company has never really been able to deliver." The rest of the sector remained dull. J Sainsbury fell 14 to 506p while two-way business in Tesco brought turnover of 9.9m as the shares remained unchanged at 214½p.

A bullish "buy" note from transport analyst Peter Bergius at ABN Amro helped logistics company Ocean Group gain 28 to 714½p, one of the best FTSE 250 performances. He told clients that profit forecasts for Ocean seemed secure while those for other logistics companies faced mounting pressure because of their heavy exposure to slowing UK industrial and retail markets.

He said: "On a p/e relative of 92 on next year's forecasts and delivering double-digit earnings per share growth for this and next year, Ocean remains by far our preferred play on global logistics."

Dresdner Kleinwort Benson yesterday placed the 6.25 per cent stake in insurance group Domestic & General Group that has been overhanging the market for several weeks.

The stake, comprising 2.15m shares owned by ex-chairman Martin Copley, was placed at 500p. Sources close to the company said he retained a stake but was "no longer a seller". The shares were down 2½ at 527½p.

Building materials group Meyer International saw brisk trade of 2.5m and gained 10½ to 310p following strong interim figures that prompted upgrades to profit forecasts. The pre-tax line rose 48 per cent to £28.7m, and both BT Alex Brown and Teather & Greenwood lifted their estimates.

David Taylor at Teather & Greenwood said: "Now that Meyer can point to results that demonstrate that the scale benefits of the Jewson/Harcros merger are working, the bull case for the shares is likely to prevail."

He eased his forecast up to £75m while BT Alex Brown moved from £73.7m to £76m.

Energis raced higher to finish 125 up to 995p, building on Tuesday's strong showing which followed well-received interim results and news of the acquisition of another three corporate clients. Also helping the shares was news that Morgan Stanley has upgraded its profit forecast for next year from £265m to £280m and ABN Amro has reiterated its "buy" recommendation.

Vodafone gained 41 to 879p in the wake of the recent excellent interims. Lehman Brothers rated the share an "outperformer" and set a December 1999 target price of £11.20p. The shares also benefited from a "buy" recommendation from Paribas. In contrast, rival Orange fell 31 to 567p. Henderson Crosthwaite was bearish on the stock, saying the company might be squeezed in an emerging price war, with Vodafone in a stronger position to absorb any price cuts.

Hyder heads down

The threat to Hyder's dividend-paying capacity from regulatory pressures was behind a general retreat by utilities shares, led by the Welsh multi-utility group. Hyder shares finished 26½ off at 825p while Thames Water fell 25 to £11.54 and Severn Trent 14 to £10.46.

Bank shares were largely overlooked, despite news of Abbey National's acquisition of three of NatWest's leasing businesses under the Lombard banner for £347m.

Abbey National shares edged up 13 to £12.41 and NatWest's 11 to 990p. Standard Chartered rose 10½ to 624p. Turnover was relatively light in all three.

Composite insurer Royal and Sun Alliance Insurance Group retreated after it confirmed the acquisition of Guardian Assurance, the New Zealand life assurance business of GRE. The shares fell 10 to 470p, while those of GRE improved 5½ to 299p.

Glaxo Wellcome slipped 28 to £18.56 after a trading update in which it said sales for the ten months to the end of October were £6.5bn, an increase of 1 per cent over the same period last year on constant exchange rates. In sterling terms, the reported sales figure showed a decrease of 4 per cent.

Dagenham Motors was up 12 at 152½p as a story went the rounds that the recently formed joint venture between Jardine Motors and Ford was close to bidding 200p a share for the company. The move would be in line with Jardine's and Ford's previously announced option of bidding for Dagenham Motors, which said it had received no approach.

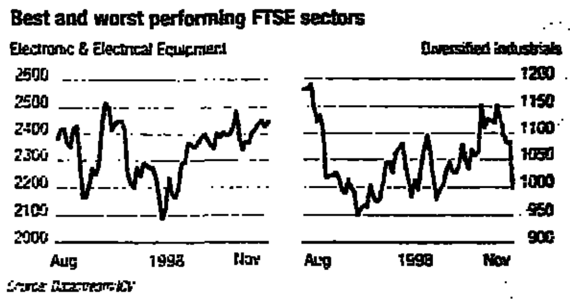
Small property company City Site Estates gained 8½ to 26½p after it accepted a 26p-a-share cash bid from managing director Louis Goodman. It cited "the regulatory burden and costs of being a public listed company which is disproportionate in relation to City Site Estates' size".

House builder Ben Bailey dropped 7½ to 57½p after it said full-year profits would be below market expectations because sales were taking longer to complete.

Textiles group William Baird fell 10 to 106½p after it said it needed to find buyers for two factories, and if no purchaser could be found closure would cost £2.5m.

Clyde Blowers, the Scottish engineering group, was the latest small company to seek an exit from the market. Its shares, which stood at 274p earlier this year, collapsed following interim figures in March. Yesterday it accepted a 165p a share bid offer from venture capitalist 3i and saw its shares rise 23½ to 166p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12	Yr ago	*High	*Low
FT 30	3292.6	3307.9	3324.4	3296.9	3289.1	3138.8	4004.9	2790.6
Ord. div. yield	3.18	3.17	3.17	3.20	3.20	3.62	4.22	2.72
P/E ratio net	21.10	21.16	21.15	20.97	20.94	20.33	25.41	15.20
P/E ratio nil	21.01	21.07	21.06	20.88	20.86	20.05	25.19	15.71

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3307.9	3333.5	3312.6	3295.8	3302.8	3311.6	3308.0	3306.6	3347.1	3295.9

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STOCK MARKET TRADING DATA

	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12	Yr ago
SEAQ bargains	53,628	56,879	62,862	53,198	51,254	46,978
Equity turnover (£m)†	-	3071.7	2452.4	2347.8	2750.3	2415.3
Equity bargains†	-	52,343	50,984	41,851	42,189	45,184
Shares traded (m)†	-	816.9	687.7	653.1	691.0	702.6
Total market bargains‡	-	59,653	60,570	53,080	52,141	-
Total turnover (£m)‡	-	3711.6	3251.9	3131.9	3311.2	-
Total shrs traded (m)‡	*863.7	956.6	875.0	817.7	863.5	-
Tradepoint turnover (£m)	24.4	21.4	59.3	13.9	26.2	34.2
Tradepoint shrs traded(m)	9.9	6.3	54.0	6.1	8.6	15.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	995	Total Highs	39	Total contracts	37,168
Total Falls	770	Total Lows	71	Calls	19,517
Same	1,563			Puts	17,651

Nov 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5540.0	5495.0	-35.0	5599.0	5490.0	24970	191046
Mar	5825.5	5540.5	-34.5	5625.5	5583.0	1583	14054
Jun	5631.0	5596.0	-35.0	5631.0	5631.0	670	9670

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4800.0	-27.0			0	8498

FTSE 100 INDEX OPTION (LIFFE) (*5479) £10 per full index point Nov 18

	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P	5450 C	5450 P	5500 C	5500 P	5550 C	5550 P	5600 C	5600 P	5650 C	5650 P
Nov	179½	8½	136	15	95½	25	63	42½	38	68	20½	101½	10½	143	4½	190
Dec	317½	122½	281	136½	250½	155½	220	176½	190½	198	157	223	138½	252	114½	280½
Jan	402	191	370	208½	340	228	310½	257½	280½	262	251	297½	227½	310	200½	338
Feb	482	255	451½	274½	421	293½	388½	717	360	332½	329½	352½	298½	373½	226	400
Jun†	668½	406½			608	343			548	463			486½	513		

Calls 598 Puts 1,055

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Nov 18

	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P	5525 C	5525 P	5575 C	5575 P	5625 C	5625 P
Nov	200	7	155½	12	114	20½	78	34½	48½	55	28	84½	14	120½	7	163
Dec	335½	117	301	132	288½	149	238½	169	208	186	175½	205½	152	231½	131½	268½
Jan	428½	179½	388½	195	354½	212½	322½	230	292½	249½	262	268½	236½	291½	210	315½
Mar			515	304½			456½	343½			380	374½			333½	416
Jun†			653½	402½			594	439½			538	480½			485	522½

Calls 13,110 Puts 8,676 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div	Div cov	Grs yld	P/E net
-	F.P.	-	53½	48	Anglian Water B	51½		-	-	-	-
-	F.P	3.88	85	65	†Chariot	77½	-	-	-		-
§	F.P	6.16	117	107	Collective Assets Tst	112		-	-	-	26.3
-	F.P	395.4	335½	239½	First Active	269½	+3	-	-	-	17.4
-	F.P	-	108½	104	Five Arrows Chile	107½		-	-	-	-
-	F.P	-	110½	105¾	Do Uts Cv Ln 2040	110		-	-	-	-
-	F.P	-	18	6	Do Wts	9		-	-	-	-
*	F.P.	116.8	236½	200	Garban	231	+14	[illegible]	2.2	4.4	5.1
§	F.P	28.7	103	100½	Guinness Flt Gld I&G	102½		-	-	-	-
§	F.P	6.44	107	101	Do Inc	105½		-	-	-	-
§	F.P	15.8	105	100	Do Zero Div Prf	104½	+½	-	-	-	-
§55	F.P.	14.7	65½	58½	†Honeycombe Leisure	65		-	-	-	10.3
-	F.P.	5.87	102	100	INVESCO Recovery	101		Fr1.05	-	9.5	-
-	F.P.	6.74	102½	100¾	Do Zero Div Pref	102½	+1	-	-	-	-
§97	F.P	7.05	103	79½	MSW Technology	86		-	-	-	13.0
-	F.P	37.3	12½	10	Marley B	11	+½	-	-	-	-
§	F.P	5.17	5½	4½	†Natural Bldg Mtls	5½		-	-	-	-
§	F.P	2.10	105	105	†Do Cnv Prf	105		-	-	-	-
§	F.P.	13.8	27½	27½	†Offshore Tool & En	27½		-	-	-	-
-	F.P.	-	62½	50½	†Old Monk Company	53½				-	13.5
-	F.P.	7.48	93	90½	Piccadilly Growth	90½		1.5	0.8	2.2	71.0
100	F.P	-	103	95	REXAM B	97½		-	-	-	-
-	F.P.	-	15	14	Thistle Hotels Prf	14½		-	-	-	-
-	F.P.	-	15	5	Xenova Warrants	13½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 17	% chg on day	Nov 16	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (20)	1101.11	0.0	1100.82	1081.81	1.67	1183.50	1351.57	701.58
Regional Indices								
Africa (9)	1181.71	-0.6	1189.40	1089.27	3.45	1196.80	1498.04	765.63
Australasia (9)	1269.25	-2.8	1305.67	1076.37	2.40	1274.09	1600.53	815.93
Americas (11)	1054.23	1.0	1043.57	1093.52	0.70	1055.18	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 18	Day's chge%	Nov 17	Nov 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5474.0	–0.5	5502.7	5510.5	4830.1	2.95	2.52	1.97	21.49	133.96	2419.96
FTSE 250	4780.9	–0.6	4809.1	4835.6	4630.3	3.69	3.14	2.14	15.81	122.98	2072.42
FTSE 250 ex Inv Tr	4809.9	–0.6	4839.9	4865.7	4673.3	3.84	3.27	2.21	14.71	127.47	2093.59
FTSE 350	2603.7	–0.5	2617.7	2623.2	2335.5	3.07	2.62	2.01	20.27	64.22	2352.02
FTSE 350 ex Inv Tr	2610.0	–0.5	2624.0	2629.2	2339.1	3.09	2.63	2.02	20.06	64.74	1209.36
FTSE 350 Higher Yield	2519.1	–0.7	2537.0	2546.3	2323.0	4.10	3.48	1.93	15.83	81.30	1951.20
FTSE 350 Lower Yield	2686.2	–0.3	2695.5	2696.7	2360.0	1.98	1.70	2.19	28.90	49.26	1968.07
FTSE SmallCap	2052.84	–0.4	2060.91	2067.24	2275.63	4.04	3.29	1.98	15.60	54.93	1806.65
FTSE SmallCap ex Inv Tr	2012.13	–0.5	2021.40	2027.62	2286.68	4.40	3.59	2.08	13.69	58.11	1790.59
FTSE All-Share	2517.70	–0.5	2531.00	2536.44	2285.91	3.12	2.65	2.01	19.98	62.33	2308.15
FTSE All-Share ex Inv Tr	2526.69	–0.5	2540.17	2545.36	2291.13	3.14	2.67	2.02	19.68	63.09	1191.88

FTSE Actuaries Industry Sectors

	Nov 18	Day's chge%	Nov 17	Nov 16	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(20)	4223.53	–0.6	4246.96	4232.43	4594.91	3.53	3.15	1.51	23.38	132.12	1970.69
12 Extractive Industries(6)	2654.46	–0.4	2665.42	2691.66	3060.98	5.14	4.74	1.99	12.20	126.49	854.90
15 Oil, Integrated(3)	4890.42	–0.4	4912.39	4877.82	5068.86	3.38	3.00	1.45	25.48	145.75	2346.61
16 Oil Exploration & Prod(11)	2022.55	–2.4	2073.27	2129.23	3609.26	2.72	2.37	0.96	48.08	46.95	1265.90
20 GEN INDUSTRIALS(211)	1705.02	–0.4	1712.40	1724.14	1975.97	4.30	3.79	2.19	13.29	58.69	1018.07
21 Construction(39)	1266.19	–0.4	1270.89	1274.21	1346.43	4.04	3.27	2.96	10.44	38.11	1146.50
22 Building Matls & Merchs(26)	1519.78	–0.8	1531.30	1548.66	1770.30	4.93	4.26	2.13	11.92	56.57	842.80
23 Chemicals(23)	1982.12	–0.4	1989.26	1996.49	2373.83	4.62	4.33	1.53	17.82	72.95	1029.98
24 Diversified Industrials(6)	998.34	–7.9	1083.65	1082.09	1323.75	5.56	5.27	2.08	10.82	57.13	632.41
25 Electronic & Elect Equip(26)	2447.19	+0.9	2424.99	2452.03	2226.76	3.14	2.54	1.85	21.50	60.32	1370.88
26 Engineering(59)	2184.57	–0.2	2188.42	2194.67	2663.83	4.43	3.93	2.22	12.68	79.00	1434.11
27 Engineering, Vehicles(10)	3061.64	–0.5	3075.86	3147.04	3345.99	2.92	2.88	3.27	13.12	75.72	1705.12
28 Paper, Pckg & Printing(22)	1469.66	–0.7	1480.52	1485.40	2148.49	6.06	5.80	2.45	8.40	68.02	675.31
30 CONSUMER GOODS(90)	5703.27	–0.5	5730.20	5722.45	4537.47	2.39	2.17	1.93	27.03	127.90	2279.27
32 Alcoholic Beverages(6)	3645.07	–0.1	3650.01	3686.76	3294.60	3.41	3.17	2.13	17.16	136.96	1460.73
33 Food Producers(26)	3693.64	–0.1	3697.38	3768.49	3224.14	2.43	2.11	2.41	21.32	82.59	1806.73
34 Household Goods & Texts(22)	2348.46	–0.4	2357.05	2354.31	2833.81	4.47	3.97	1.78	15.70	89.97	1006.12
36 Health Care(13)	2420.65	+0.2	2414.83	2447.16	2175.68	2.14	1.98	2.18	26.74	46.87	1562.74
37 Pharmaceuticals(20)	9819.42	–0.6	9879.99	9757.41	7145.07	1.80	1.68	1.59	43.70	165.24	3538.50
38 Tobacco(3)	6776.78	–1.4	6873.00	6980.78	4429.98	5.00	4.17	2.04	12.25	210.91	1920.47
40 SERVICES(266)	3218.35	–0.5	3233.91	3241.56	2774.21	2.70	2.22	2.11	21.92	62.21	1785.77
41 Distributors(29)	1813.93	–2.9	1867.45	1865.68	2537.97	5.46	4.61	2.01	11.40	73.51	724.98
42 Leisure & Hotels(28)	2861.87	–0.7	2881.78	2909.07	3180.48	3.29	2.76	2.62	14.47	79.87	1634.96
43 Media(39)	4029.70	–0.3	4043.04	4066.07	4050.02	2.60	2.19	2.16	22.25	84.32	1538.99
44 Retailers, Food(13)	2766.24	–0.6	2782.87	2800.61	2578.66	3.32	2.65	2.14	17.65	68.90	1905.22
45 Retailers, General(49)	2025.98	–0.6	2038.72	2019.84	2295.75	3.77	3.02	2.10	15.74	59.06	1252.14
46 Telecommunications(8)	4730.72	+0.2	4720.13	4743.88	2515.25	1.90	1.56	1.70	38.63	47.70	2320.37
47 Breweries, Pubs & Rest.(24)	3379.04	–0.1	3382.83	3392.83	3316.15	3.66	2.94	2.37	14.42	71.77	1738.42
48 Support Services(65)	3993.17	–2.0	4076.53	4125.25	3361.89	1.55	1.31	2.73	29.52	49.11	2645.11
49 Transport(25)	3440.41	–0.6	3461.04	3418.11	2901.47	3.10	2.62	2.02	19.92	83.78	1552.82
60 UTILITIES(21)	4319.51	–0.8	4352.57	4365.55	3233.27	3.76	3.11	1.76	18.86	101.47	2067.76
62 Electricity(8)	4821.49	–0.5	4844.63	4815.38	3572.23	4.23	3.39	1.85	15.93	113.98	2851.60
64 Gas Distribution(2)	3482.98	+0.1	3480.29	3495.73	2361.02	1.94	1.55	‡	‡	54.02	2030.23
68 Water(11)	3585.36	–2.1	3663.92	3698.28	3077.36	4.79	4.23	2.39	10.94	112.14	2243.92
69 NON-FINANCIALS(622)	2590.71	–0.5	2603.84	2606.86	2324.20	3.02	2.59	1.97	21.04	61.77	2133.23
70 FINANCIALS(105)	4692.86	–0.6	4721.75	4744.04	4397.96	3.51	2.91	2.16	18.44	134.84	2195.27
71 Banks, Retail(12)	6947.39	–0.5	6981.89	7007.80	6463.82	3.68	2.94	2.12	16.04	199.47	2461.06
73 Insurance(15)	2035.88	–1.7	2071.27	2093.75	1884.72	3.47	3.27	2.01	17.81	77.07	1706.55
74 Life Assurance(8)	6784.15	—	6786.67	6804.01	5349.22	2.84	2.45	2.70	18.28	167.30	3058.26
77 Other Financial(26)	3458.95	–0.6	3479.02	3504.80	3510.68	3.17	2.62	2.58	15.28	97.86	2130.01
79 Property(44)	1744.72	–1.0	1762.06	1771.47	2124.07	3.83	3.23	1.63	20.10	41.82	1156.56
80 INVESTMENT TRUSTS(115)	3413.31	–0.3	3424.87	3445.20	3240.79	2.37	1.93	1.18	44.55	58.91	1252.75
89 FTSE All-Share(842)	2517.70	–0.5	2531.00	2536.44	2285.91	3.12	2.65	2.01	19.98	62.33	2308.15
105 FTSE All-Share ex Inv Tr(727)	2525.69	–0.5	2540.17	2545.36	2291.13	3.14	2.67	2.02	19.68	63.09	1191.88
Information Technology	1208.97	–1.8	1230.72	1230.84	-	0.77	0.62	4.17	38.71	6.95	1214.97
FTSE Fledgling	1133.81	–0.2	1136.27	1137.39	1248.11	3.86	3.17	1.45	22.35	32.34	1273.35
FTSE Fledgling ex Inv Tr	1138.29	–0.3	1141.48	1142.16	1270.39	4.22	3.48	1.55	19.14	36.06	1285.09
FTSE AIM	825.7	–0.3	827.9	828.4	983.6	1.15	0.92	0.54	80.00†	9.35	767.19

Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5508.3	5512.6	5501.6	5497.0	5507.1	5520.2	5509.7	5499.7	5554.2	5467.1
FTSE 250	4802.4	4798.8	4791.9	4785.1	4782.2	4787.5	4789.3	4786.7	4805.6	4780.9
FTSE 350	2619.3	2620.6	2615.7	2613.2	2617.0	2622.6	2618.6	2614.4	2637.6	2601.1
FTSE SmallCap	2059.14	2057.40	2056.56	2054.84	2054.94	2054.95	2054.45	2053.56	2060.51	2052.77
FTSE All-Share	2532.38	2533.52	2528.90	2526.56	2529.98	2535.21	2531.49	2527.57	2549.19	2515.31

Time of FTSE 100 Day's high: 9:10:45 Day's low: 16:29:00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:11:00 Day's low: 16:29:00. FTSE All-Share 1998 High: 2885.20 (20/07/98) Low: 2165.10 (05/10/98)
Further information is available on http://www.ftse.com.
 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
Deletion: Linton Park (FTSE SmallCap). Gardiner Group (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	577	527	-9
ABN/ESCAP	937	402	-18½
ASDA Group	9,710	154	-1
Abbey National	3,190	1241	+13
Alliance & Leicester	972	999	+9
Allied Domecq	1,100	502	-9
Allied Zurich	4,200	775	+5
Anglian Water†	374	863	-17
Assoc. Brit. Foods	858	510	-17
BAA	1,300	652	-6½
BOC	2,100	908	+34
BG	4,300	402½	-1
BP	23,700	936½	-1
BSkyB	517	489½	-1½
BT	7,900	813	-8
BTR	3,350	180	
Bank of Scotland	2,000	684	-13½
Barclays	1,400	1190	-25
Bass	1,100	785	-½
Billiton	1,100	129½	-1
Boots	1,500	945	+10
Britannic Assurance†	770	1240	
Brit. Aerospace	5,100	417½	+3½
British Airways	4,200	391	-2½
Brit Amer Tobacco	2,100	530	+3½
British Energy	1,100	625	
British Land	3,400	417½	-3½
CGU	1,700	962	-4½
CMG†	187	1460	+3
COLT Telecom	1,600	710	-2
Cable & Wireless	5,100	790	+4
Cadbury Schweppes	1,500	893	-9
Carlton Comms.	851	428½	+7½
Centrica	10,800	117½	+1½
Compass	1,800	619	+9
Diageo	4,400	661½	+1½
EMI	2,300	324	-10
Dixons†	3,300	699	+29
Foreign & Col. I T	803	175½	-½
General Electric	3,800	482	+6
Gallaher†	7,800	415	-27
Glaxo Wellcome	6,600	1856	-28
Granada	1,200	932	-13
GUS	1,900	628	+3
GRE	5,700	298	+5½
GKN	1,900	808½	-13½
HSBC (75p shs)	2,100	1440	+6
HSBC (HK$10)	1,700	1370	-2
Halifax	4,500	821	-12½
Hays	1,300	462½	-8½
ICI	1,900	555	-20
Imperial Tobacco†	1,400	669	-17½
Kingfisher	3,800	536	-6½
Ladbroke	9,900	242½	+1½
Land Securities	1,500	812	-28
Legal & General	1,200	678	-10½
Lloyds TSB	10,900	776	-5
LucasVarity	1,300	189	+2½
Marks & Spencer	7,400	438	-15
Misys	636	383	-29½
NatWest Bank	6,400	990	+11
National Grid	8,000	461	+12
National Power	2,500	540	-10
Norwich Union	1,700	423	-3½
Nycomed Amersham	2,500	388	-6
Orange	3,100	567	-31
Pearson	1,100	995	-2
P & O	927	587½	-10½
PowerGen	1,300	847	-17
Prudential	1,900	817	+3½
Railtrack	1,100	1708	-13
Reckitt & Colman	420	898	-7
Reed Intl	2,100	460	+10
Rentokil Initial	5,300	357	-13½
Reuters	2,100	593	-1
Rio Tinto	4,700	693	+2½
Rolls Royce	4,000	229½	-4
Royal & Sun Alliance	2,800	470	-10
Royal Bank Scotland	1,900	909	-25
Safeway	15,000	290½	+14½
Sainsbury	3,100	506	-14
Schroders	1½	1082	-11
Schroders N/V	11	910	+5
Scottish & Newcastle	1,400	749	+2
Scottish Power	1,400	608	-9½
Securicor	2,000	461	+14
Sema	3,100	490	-29
Severn Trent	293	1046	-14
Shell Transport	11,300	351½	-3½
Siebe	3,500	219½	-5½
SmithKline Beecham	6,400	735	-1
Smiths Inds	943	821	-3
Southern Electric	709	591	-2
Stagecoach	1,600	241½	-1
Standard Chartered	1,900	624	+10½
Sun Life & Provincial	295	504	+4
Tate&Lyle Cement	2,100	132	-8
Tesco	9,900	178	
Thames Water	1,000	1154	-25
Tomkins	2,300	288	-2½
Unilever	6,300	613½	+1½
Utd. News & Media	2,500	643	+5
United Utilities	521	807	-27
Vodafone	15,300	879	+41
WPP	2,400	272½	-3½
Whitbread	749	777	-12
Williams	4,300	395	-2½
Woolwich	1,700	305½	-5
Zeneca	2,100	2160	+30

Based on trading volume for the FTSE 100 constituent companies and reserves voluntary with a 50pm. † Indicates a FTSE 100 index reserve. All figures are rounded. Source: Extel, part of FT information

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 18 / Sch)

BELGIUM/LUXEMBOURG (Nov 18 / Frs.)

CZECH REP (Nov 18 / Koruna)

DENMARK (Nov 18 / Kr)

FINLAND (Nov 18 / Mks)

FRANCE (Nov 18 / Frs.)

GERMANY (Nov 18 / Dm.)

GREECE (Nov 18 / Drachma)

IRELAND (Nov 18 / Punt)

ITALY (Nov 18 / Lire)

NETHERLANDS (Nov 18 / Fls.)

NORWAY (Nov 18 / Kroner)

POLAND (Nov 18 / Zloty)

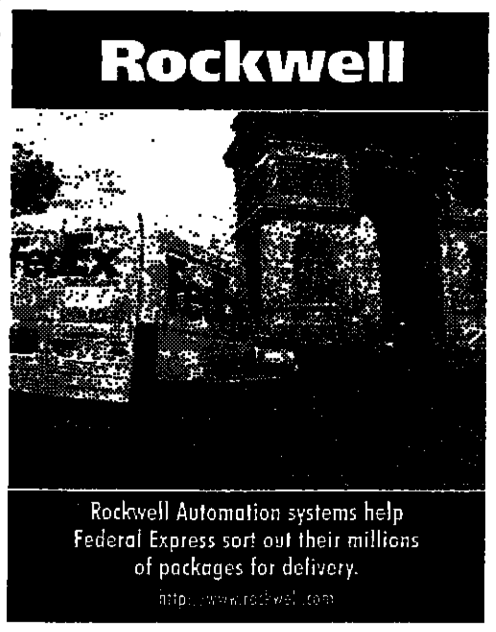
PORTUGAL (Nov 18 / Escudo)

SPAIN (Nov 18 / Pts.)

SWEDEN (Nov 18 / Kronor)

SWITZERLAND (Nov 18 / Frs.)

TURKEY (Nov 18 / TK Lira)



PACIFIC

JAPAN (Nov 18 / Yen)

AUSTRALIA (Nov 18 / AustS)

HONG KONG (Nov 18 / H.K.$)

INDONESIA (Nov 18 / Rupiah)

MALAYSIA (Nov 18 / MYR)

NEW ZEALAND (Nov 18 / NZ $)

SINGAPORE (Nov 18 / S$)

SOUTH KOREA (Nov 18 / Won)

TAIWAN (Nov 18 / TW $)

THAILAND (Nov 18 / Baht)

AMERICAS

CANADA

TORONTO (Nov 18 / Can $)
4 pm close

MONTREAL (Nov 18 / Can $)
4 pm close

MEXICO (Nov 18 / Peso)
12.30pm

AFRICA

SOUTH AFRICA (Nov 18 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 17 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 16 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	195.51	-1.0	172.96	149.47	169.68	205.26	0.0	3.64	197.55	174.82	149.59	171.19	205.23	219.96	183.86	203.02
Austria (22)	184.71	-0.1	163.41	141.21	160.31	160.19	0.0	2.18	184.93	163.65	140.03	160.25	160.13	253.73	168.45	190.15
Belgium (22)	374.47	-0.5	331.28	286.29	325.00	318.05	-0.4	2.12	376.41	333.10	285.02	326.17	319.23	398.52	249.06	250.02
Brazil (32)	164.11	3.3	145.18	125.46	142.43	359.63	3.3	2.48	159.90	140.62	120.32	137.69	348.17	269.34	102.68	213.54
Canada (119)	191.35	0.0	169.27	146.28	166.07	214.83	-0.4	1.84	191.29	169.28	144.85	165.76	215.60	248.78	159.94	215.47
Denmark (34)	464.63	-2.2	411.04	355.21	403.25	401.05	-2.0	1.74	475.07	420.41	359.72	411.57	409.41	537.33	413.20	413.20
Finland (28)	447.68	-0.3	396.05	342.26	388.54	476.86	-0.2	1.91	443.04	397.38	340.02	389.12	477.65	506.46	267.59	307.64
France (75)	300.62	-0.7	265.95	229.83	260.91	263.96	-0.6	2.37	302.70	267.87	229.21	262.30	265.43	345.18	225.24	227.33
Germany (55)	263.25	-1.8	232.88	201.25	228.47	228.47	-1.7	1.41	268.17	237.32	203.06	232.38	232.38	325.61	214.72	214.72
Greece (35)	287.42	-0.6	254.27	219.74	249.45	579.41	-0.4	1.50	289.16	255.89	218.95	250.57	581.58	333.20	211.47	-
Hong Kong, China (67)	314.80	-1.2	278.49	240.67	273.21	312.94	-1.2	4.19	318.76	282.09	241.37	276.22	316.89	389.07	196.64	355.45
Indonesia (26)	43.99	1.8	38.92	33.63	38.18	203.22	0.0	1.57	43.30	38.32	32.79	37.52	203.22	113.89	19.04	113.89
Ireland (16)	490.91	1.3	434.29	375.31	428.06	464.28	1.4	2.04	484.75	428.99	367.07	420.07	457.85	580.44	376.58	377.54
Italy (53)	157.32	-0.8	139.18	120.27	136.54	194.15	-0.6	1.44	158.58	140.34	120.08	137.42	195.32	184.49	108.44	108.82
Japan (446)	96.09	-0.7	85.01	73.46	83.40	73.46	0.2	1.03	96.81	85.67	73.30	83.89	73.30	109.73	76.83	103.88
Mexico (29)	1135.83	-0.1	1004.65	868.20	985.61	12354.36	-0.3	2.07	1136.43	1005.69	860.51	984.77	12389.12	1803.07	787.15	1529.75
Netherlands (27)	477.55	-0.6	422.47	365.09	414.47	410.25	-0.4	2.27	480.35	425.09	363.72	416.24	412.04	562.38	381.03	407.01
New Zealand (18)	58.90	-1.6	52.11	45.03	51.12	58.58	-0.8	4.93	58.89	53.00	45.35	51.90	59.07	85.33	45.68	85.33
Norway (38)	222.99	-1.7	197.27	170.48	193.53	225.32	-1.8	2.67	226.84	200.74	171.77	196.57	229.49	357.71	181.86	337.71
Philippines (22)	79.39	2.7	70.23	60.69	68.90	157.86	2.1	0.98	77.31	68.42	58.54	66.99	154.59	106.98	42.48	90.41
Portugal (18)	252.91	-0.5	223.74	193.35	219.50	296.08	-0.5	1.13	254.24	224.99	192.51	220.31	297.50	299.39	194.13	-
Singapore (41)	187.24	-0.5	165.65	143.15	162.51	140.99	-0.2	2.24	188.23	166.57	142.53	163.11	141.30	264.82	102.45	246.06
South Africa (39)	208.52	-0.7	184.47	159.41	180.97	259.56	-0.2	3.58	210.00	185.84	159.01	181.97	260.03	346.20	151.55	272.94
Spain (30)	363.08	-0.8	321.20	277.58	315.12	390.11	-0.8	2.08	366.32	324.18	277.38	317.43	393.46	417.73	253.74	253.74
Sweden (46)	473.20	0.2	418.82	361.76	410.69	583.93	-0.1	2.07	472.08	417.78	357.47	409.09	584.23	628.19	379.18	471.57
Switzerland (30)	392.84	0.1	347.61	300.40	341.03	334.71	0.2	1.27	392.49	347.33	297.19	340.11	333.89	439.46	307.73	314.82
Thailand (35)	20.77	2.5	18.37	15.88	18.02	29.38	2.4	3.22	20.26	17.93	15.34	17.56	28.70	33.84	8.15	29.36
United Kingdom (208)	358.66	-0.2	317.29	274.19	311.28	317.29	-0.2	3.09	359.35	318.00	272.10	311.39	318.00	401.84	307.96	323.93
USA (620)	466.56	0.4	412.75	356.69	404.93	466.56	0.4	1.40	464.81	411.34	351.96	402.78	464.81	485.88	378.74	385.20
Americas (800)	415.57	0.4	367.64	317.71	360.67	352.54	0.4	1.42	414.00	366.37	313.48	358.75	351.25	437.03	343.40	349.93
Europe (737)	334.55	-0.6	295.96	255.76	290.35	301.63	-0.5	2.23	336.47	297.76	254.78	291.57	303.16	386.24	278.07	278.07
Eurobloc (346)	96.37	-1.0	85.26	73.68	83.64	90.52	-0.8	1.89	97.30	86.11	73.68	84.32	91.26	113.28	81.53	-
Nordic (146)	440.40	-0.5	389.60	336.69	382.22	442.06	-0.6	2.02	442.44	391.54	335.02	383.39	444.57	555.97	380.04	416.48
Pacific Basin (730)	104.01	-0.6	92.01	79.52	90.27	81.63	0.1	1.60	104.84	92.78	79.39	90.85	81.58	119.48	82.88	114.76
Euro-Pacific (1467)	199.80	-0.6	176.75	152.75	173.40	164.06	-0.3	2.04	201.08	177.95	152.26	174.25	164.64	220.19	188.00	182.90
North America (739)	448.01	0.4	396.33	342.50	388.82	449.27	0.3	1.41	446.38	395.03	338.01	386.81	447.70	469.20	367.39	374.54
Europe Ex. UK (529)	311.38	-0.8	275.46	238.05	270.24	284.94	-0.8	1.81	313.75	277.66	237.58	271.88	286.78	366.32	247.81	247.61
Europe Ex. Eurobloc (391)	91.75	-0.2	81.16	70.14	79.63	90.03	-0.2	2.58	91.90	81.33	69.59	79.64	90.19	103.93	77.40	-
Europe Ex. UK Ex. Eurobloc (183)	92.54	-0.1	81.87	70.75	80.32	88.37	-0.1	1.64	92.65	81.99	70.15	80.29	88.44	109.21	75.16	-
Pacific Ex. Japan (284)	179.34	-1.0	158.65	137.11	155.65	182.12	-0.5	3.78	181.14	160.30	137.16	156.96	183.07	217.77	128.26	212.97
World Ex. Eurobloc (1960)	97.89	0.1	86.60	74.84	84.96	86.76	0.2	1.67	97.80	86.55	74.06	84.75	96.55	103.16	63.09	-
World Ex. US (1686)	199.77	-0.6	176.73	152.73	173.38	169.18	-0.3	2.05	200.94	177.82	152.15	174.12	169.70	221.91	165.95	186.53
World Ex. UK (2098)	278.82	-0.1	246.66	213.16	241.99	248.98	0.1	1.55	279.01	246.91	211.26	241.77	248.78	298.02	234.68	243.48
World Ex. Japan (1860)	380.12	-0.0	336.28	290.61	329.91	368.46	0.0	1.78	380.13	336.30	287.83	329.40	388.35	411.23	318.78	323.97
The World Index (2306)	285.66	-0.1	252.73	218.41	247.94	255.31	0.1	1.71	285.91	253.01	216.49	247.75	255.19	306.56	242.08	250.33

Emerging markets:

IFC investable indices

Dollar terms

Nov 17 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	859.28	-0.3	-22.1
Brazil	329.55	+3.3	-31.7
Chile	479.55	-0.2	-25.4
Colombia[1]	374.23	-0.6	-54.7
Mexico	482.58		-38.8
Peru[2]	145.18	+1.3	-34.4
Venezuela[3]	346.26	+2.7	-62.2
East Asia			
China[4]	30.64	-0.4	-44.6
India[7]	62.58	+0.6	-24.9
Indonesia[6]	21.80	+1.6	-35.2
Korea[5]	34.61	+1.3	+44.9
Malaysia	73.64	+0.5	-19.2
Pakistan[9]	89.16	+8.1	-60.1
Philippines	113.15	+2.4	+0.4
Sri Lanka[10]	72.22	+3.9	-37.9
Taiwan, China[4]	125.17	+2.7	-11.3
Thailand	61.78	+0.1	+31.4
Europe			
Czech Rep	48.98	-0.4	-10.5
Greece	520.01	-0.7	+60.5
Hungary[11]	261.09	-0.1	-17.0
Poland[12]	554.36	-2.3	-7.1
Portugal	285.57	-0.8	+35.3
Russia	22.54	+0.4	-84.8
Slovakia	41.33	-0.3	-58.3
Turkey[14]	133.93	-4.3	-57.1
Mideast/Africa			
Egypt	65.06	-0.0	-30.2
Israel	98.49	+2.4	-19.1
Jordan	203.31	-1.2	-3.3
Morocco	171.79	-0.2	+31.9
S Africa[15]	139.03	-0.7	-22.7
Zimbabwe[16]	97.84	+1.4	-61.1
Regions			
Composite	186.69	+0.5	-24.4
Latin America	452.20	+1.1	-33.3
Asia	96.87	+1.6	-10.1
EMEA	113.32	-0.7	-23.3
Europe	138.05	-1.3	-26.8
Eastn Europe	58.82	-0.7	-59.5
ME & Africa	57.48	-0.2	-19.6
Comp + Malay	186.68	+0.5	-24.1
Asia + Malay	98.19	+1.4	-10.7

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Volume figures are unofficial.
d new yearly low. P E price earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 17	Nov 16	Nov 13	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8986.28	9011.25	8919.59	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.06	106.36	106.48	107.82 (5/10)	104.42 (11/5)	107.82 (5/10/98)	54.99 (1/10/81)
Transport	2927.82	2918.65	2871.30	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	309.06	309.54	306.87	320.31 (8/10)	262.86 (9/1)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 9158.26 (9093.12) Low 8876.42 (8905.09) (Theoretical)
Day's high 9103.16 (9030.30) Low 8929.12 (8920.88) (Actual)

Standard and Poors	Nov 17	Nov 16	Nov 13	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1139.32	1135.86	1125.72	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1357.38	1356.72	1348.14	1390.48 (17/7)	1077.40 (9/1)	1390.48 (17/7/98)	3.52 (30/6/32)
Financial‡	124.96	122.85	121.18	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	561.02	560.28	556.17	600.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	666.89	667.72	668.36	763.67 (22/4)	563.75 (8/10)	763.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1878.52	1861.72	1847.99	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	389.43	390.42	389.36	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.39 (7/12/93)

■ RATIOS

	Nov 13	Nov 6	Oct 30	Year ago
Dow Jones Ind. Div. Yield	1.69	1.68	1.75	1.78

	Nov 11	Nov 4	Oct 28	Year ago
S & P Ind. Div. yield	1.29	1.30	1.38	1.56
S & P Ind. P/E ratio	32.98	32.70	31.32	24.36

US DATA

■ MARKET ACTIVITY

● Volume (million)	Nov 17	Nov 16	Nov 13
NYSE	701.110	815.580	802.270
Amex	25.931	21.185	18.643
NASDAQ	829.770	769.842	811.846

NYSE	Nov 17	Nov 16	Nov 13
Issues Traded	3,513	3,520	3,479
Rises	1,490	1,815	1,502
Falls	1,490	1,399	1,490
Unchanged	543	515	487
New Highs	80	53	41
New Lows	35	27	19 2

■ NYSE TRADING ACTIVITY — Volume : 701,118,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Crapp	14,374,700	45¼	+1¼
HewPac	11,806,500	60¼	−5⅛
Compaq	10,026,200	34¼	−⅛
AmOnLine	8,181,000	150	+5¾
ChaseM	7,427,000	61¼	+3¼
Danaher Co	7,032,700	44¼	−1⅞
MerLyn	6,546,500	66¾	+3
PhilMor	6,189,700	54	+½
SunCnt	5,800,500	12	−½
DowCh	5,785,400	83⅞	−½

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
EquCos	52⅛	+4⅛	+9.6
Appl Pw A	33¾	+2⅞	+9.5
MGIC	44	+3¼	+8.0
Int Techn	10¼	+¾	+7.9
Downs			
Bell Cont	13⅞	−1⅛	−10.1
FaircChmA	16	−1⅝	−9.9
HewPac	60¼	−5⅞	−9.0
Hexcel	11⅞	−1⅛	−8.3

■ NASDAQ TRADING ACTIVITY — Volume :829,770,000

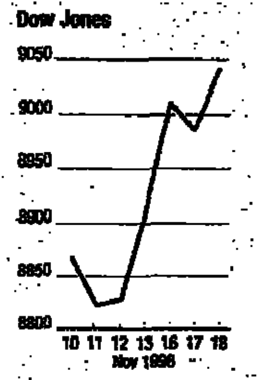
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellComp	32,731,200	64¼	+1½
HBO & Co	20,781,800	24½	+2¼
CiscoSys	16,257,500	68¾	+1⅞
Intel	14,813,200	108¼	+1½
MicsR	14,285,500	111½	+3¼
PeoplSoft	10,444,200	19¾	−¾
Amz.com	10,187,900	148½	+22¾
WrldCm	8,967,500	64⅞	−⅛
SunMic	8,806,800	66⅞	+3½
Yahoo	8,224,100	176¾	+3½

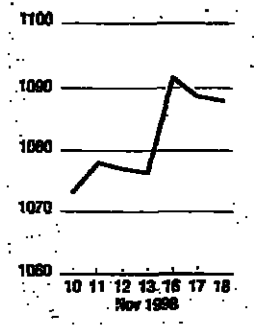
■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
EnvoyCp	39⅞	+7½	+23.1
Amz.com	148½	+22¾	+17.6
Wolohan L	13¼	+1⅜	+11.2
HBO & Co	24½	+2¼	+11.0
Downs			
EastEnvmt	24¾	−4⅛	−14.3
SngStatM	24½	−3¼	−11.8
AmOncl	10½	−1¼	−11.2
Mgnsrcs	12⅞	−1½	−10.4

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14598.23	14413.00	14428.27	17264.34	12879.97	38915.9	85.25

Day's high: 14701.45. Day's low: 14383.38.

■ TOKYO TRADING ACTIVITY — Volume : 477,000,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Nissho	12,497,000	70	+5
Sakura	9,888,000	349	
BTokM	7,450,000	1245	+10
IndBk	6,141,000	664	−14
FujiBk	5,806,000	529	+13
Toshiba	5,738,000	635	
Chiyoda	5,650,000	398	−11
SnwaBk	5,415,000	1055	+15
SumiBnk	5,390,000	1352	+10
NKK	5,048,000	81	−3

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
MiaDai	249	+38	+18.0
NomEl	244	+25	+11.4
NpYion	67	+6	+9.8
TkStl	1204	+100	+9.1
CanGis	206	+17	+9.0
PrimaM	134	+11	+8.9
Gakken	138	+11	+8.7
Downs			
YnDen	3400	−250	−6.8

FRANCE

	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3612.50	3601.57	3621.85	4388.48	2862.54	4388.48	984.61

Day's high: 3680.82. Day's low: 3581.73

■ PARIS TRADING ACTIVITY — Volume : 447,821,150

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Usinor	2,316,086	80.1	−1.9
FrTele	1,664,219	390.1	−12.9
Axa	1,522,007	658	+2
Alstom	1,470,663	133.5	−8
EurDis	1,292,359	8.25	−0.3
ElfAqu	1,226,151	706	+29
Alcatel	1,120,625	615	+1
RhonPA	1,110,667	253	−2
Renault	960,596	215	−5
SocGen	919,276	745	+15

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Bongrn	2510	+145	+6.1
SGE	274.9	+13.8	+5.3
Finexa	519	+25.8	+5.2
Seb SA	530	+26	+5.1
Downs			
SAT	1980	−191	−8.8
Pchnto	87	−7.1	−7.5
Rhodia	88.5	−5.7	−6.2
Lafarl	1378	−90	−6.1

GERMANY

	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4698.72	4702.63	4783.77	6171.43	3896.08	6171.43	931.18

Day's high: 4799.73. Day's low: 4692.36.

■ FRANKFURT TRADING ACTIVITY — Volume : (m)

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DmlrCh	525,058	141.0	−0.5
Lufths	453,880	34.5	−0.5
Cmmzbk	401,671	52.5	−1.4
Bayer	395,112	68.5	+1.5
BASF	358,606	63.35	+0.55
H'chst	289,858	74.7	−1.55
Dt Bk	254,942	101.5	−0.2
DrsdBk	251,148	61.7	+1.2
Dt Tel	230,845	45.2	−0.8

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Dougls	103.9	+8.4	+8.8
Porsche	3680	+180	+5.1
Pro7Pf	84.5	+3.5	+4.3
WellaPf	1430	+55	+4
Downs			
Dr Bab	75	−7	−8.5
GEA Pf	40	−2.5	−5.9
Kratz	760	−25	−3.2
Viag	1075	−35	−3.2

UK

	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5474.0	5502.7	5510.5	6179.00	4648.70	6179	986.9

Day's high: 5554.2. Day's low: 5467.1

■ LONDON TRADING ACTIVITY — Volume : 863,790,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
BP	29,654,400	936½	−1
Safeway	15,370,100	290½	+14½
Vodafone	15,294,350	879	+41
Caradon	11,509,253	117	
Shell T&T	11,250,440	353½	−3½
Lloyds TSB	10,933,410	778	−5
TI	10,830,960	94½	−1½
Centrica	10,709,030	117½	+1½
Bylgo	10,717,300	[illegible]	[illegible]
Ladbroke	9,923,596	212½	+1½

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
City Site	26½	+8½	+47.2
Creightons	8½	+1½	+22.2
JKX Oil&Ga	13½	+2	+17.4
Clyde Blower	166	+23½	+16.5
Downs			
Greenway	26	−8	−23.5
Ballyvan	2	−½	−20
Utd Carr	9	−2	−18.2
Eclipse Blind	71½	−15	−17.3

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	1143.50	1142.50	−1.00	1148.30	1138.50	103,296	403,912
Mar	1153.50	1152.50	−2.00	1155.00	1151.50	3,222	16,174
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	14380.0	14470.0	+110.0	14720.0	14350.0	35,912	188,482
Mar	14370.0	14500.0	+190.0	14670.0	14370.0	374	8,127

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3636.0	3627.0	+15.0	3672.0	3588.0	78,173	203,182
Dec	3653.0	3635.5	+15.0	3681.0	3594.5	10,858	78,183
■ DAX							
Dec	4770.0	4713.0	−28.0	4832.0	4701.0	23,215	79,553
Mar	4798.0	4759.5	−30.0	4866.0	4748.5	137	3,623

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	658.00	665.00	+13.00	666.00	654.00	21,216	195,050
Dec	660.25	667.75	+14.75	667.75	657.00	8,911	23,591
■ SOFFEX							
Dec	6843.0	6859.0	+47.0	6874.0	6763.0	25,066	153,856
Mar	6855.0	6879.0	+39.0	6880.0	6852.0	74	4,995

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close November 18

[illegible]

THE NASDAQ-AMEX MARKET GROUP

[illegible]

AMEX

4 pm close November 18

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EASDAQ

[illegible]

STOCK MARKETS

Japan odd one out amid cautious optimism

WORLD OVERVIEW

Gains among international equities were limited yesterday as investors regarded the US rate cut as already discounted into share prices, *writes Emiko Terazono.*

Tokyo and Hong Kong posted modest gains while Europe was mixed. The rate cut prompted selling as the view that the US Federal Reserve would be on hold after three consecutive rate cuts, weighed on sentiment.

With the strains in financial markets expected to ease, the consensus economic outlook for the medium term has turned cautiously optimistic. Deutsche Bank expects global growth to recover to around 2.5 per cent in 2000.

Japan, however, is likely to continue to be the odd one out among G7 economies. Although some fund managers have started to increase their exposure to Japan, and the Nikkei has rebounded 13 per cent since its low in October, the view on economic fundamentals remains pessimistic.

The bank recapitalisation package has helped bolster the share prices of some banks which had been heavily sold off. Sakura Bank has risen 94 per cent since its October 1 low while Bank of Tokyo-Mitsubishi has risen 54 per cent and Fuji Bank 43 per cent.

The basis of the recent buying, especially by foreign investors, has been cheap valuations. However, some analysts are wary. "What scares us most about any renewed appetite for Japanese equities is that the valuation arguments could have more or less been made at any time in the last five years," says James Montier, global strategist at BT Alex Brown.

Near-term worries stem from cash-flow problems among companies and possible bankruptcies, say some Japanese traders. In spite of the recent slew of fiscal measures and banking packages, the credit squeeze remains intact, they believe.

"The end of November, when most companies sort out their cash flow situation for the end of the year, is likely to be a crucial period to watch out for," says one trader.

Even in the medium term, prospects are gloomy. The economy continues to be dogged by weak consumer demand and overcapacity, without export demand to fall back on. Structural problems, including bad loans and inefficient companies, also loom over the economy.

"According to most economic indicators, there are virtually no signs of a revival of the economy," points out says Deutsche Bank. With GDP forecast to shrink by about 1.5 per cent next year, a turnaround in activity should, therefore, not be expected before 2000.

Internet sector shines as US shares edge up

AMERICAS

US shares turned slightly higher in early afternoon trading after a sluggish morning, with a rally in bonds and internet stocks helping to lift the mood on Wall Street, *writes John Labate in New York.*

The Dow Jones Industrial Average was 16.02 higher at 9,002.50 while the Standard & Poor's 500 index gained 1.43 to 1,140.75. High-tech shares had the best overall gains, sending the Nasdaq composite up 13.93 or 0.7 per cent to 1,892.45.

US Treasuries rallied after a late sell-off in response to the Federal Reserve interest rate cuts announced on Tuesday. By early afternoon, the benchmark long bond had gained 1 at 100¼, sending the yield lower to 5.233 per cent.

Cyclical shares were among the best risers in the midday Dow. Minnesota Mining & Manufacturing was 2\frac{11}{16}$ higher at $81⅞ and Goodyear Tire 1\frac{1}{16}$ at $55¾.

Tuesday's cut in the key federal funds and discount rates was anticipated by many in the market. "Everyone was waiting for the rate cut and now that it's out, the market's just drifting, but the internet sector is hotter than ever," said Dan Mathisson, head stock trader at D. E. Shaw Securities in New York. "Investors continue to throw money at [internet stocks] regardless of volatility of these stocks or the fundamentals involved."

The American Stock Exchange's internet index was pushed more than 5 per cent higher to 475.31 with many of the leading online companies making double-digit gains. Netscape Communications surged more than 20 per cent or 5\frac{15}{16}$ to 35\frac{7}{16}$ on reports that the company may be forming an alliance with America Online. AOL's shares jumped more than 10 per cent or 7\frac{15}{16}$ to 82\frac{13}{16}$ on the speculation.

In the retail sector, Rite Aid climbed 6 per cent to 46\frac{5}{16}$ after Bear Stearns raised its rating to "buy" and Lehman Brothers raised its target stock price.

Small-cap shares also pushed higher, sending the Russell 2000 index up less than one point at 390.16.

TORONTO edged higher in early afternoon trade, having taken much of the morning session to digest the effects of Tuesday's rate cut in the US and Canada's own reduction early in the session.

The TSE-300 composite index was 30.62 higher at 6,368.40 in trade that picked up to a hefty 60.3m shares.

Nine of the 14 sub-indices opened in negative territory, led by a 1 per cent dip in the metals and minerals index and a near 1 per cent fall in the utilities group.

In the metals group, nickel miner Inco fell 65 cents to C$18.10 and Noranda was 20 cents lower at C$24.45.

The gold and precious minerals index bucked the trend, jumping 3.5 per cent early in the session.

Among the gold miners, Barrick Gold rose C$2.30 to C$34.20 and Placer Dome was C$1.30 higher at C$25.90.

Among individual stocks, Repap Enterprises was actively traded, changing hands at 9 cents after a number of brokerages crossed large blocks.

Bogotá weakens after emergency measures

BOGOTA fell 2.4 per cent as investors gave the cold shoulder to emergency government economic measures introduced earlier in the week. The IBB index closed 22.23 lower at 923.22.

President Andres Pastrana declared a limited state of emergency on Monday allowing him to decree a series of laws aimed at bailing out the financial sector.

SAO PAULO jumped 3.2 per cent as foreign investors bought into the market on renewed optimism about the economic outlook. The Bovespa index climbed 268 to 8,598, taking its cumulative rise over the last three days to 12.9 per cent.

Tele Norte Leste was a big gainer, with its preferred shares climbing R$1.50 or 10.1 per cent to R$16.30.

BUENOS AIRES edged down on profit taking, ending a sequence of rises in the run-up to Tuesday's cut in US interest rates. The Merval index fell 0.83 to 476.19.

Merger talk gives Paris lift

EUROPE

Merger speculation provided some sparkle in **PARIS** but with the weak Dow providing nothing in the way of support, the CAC 40 index managed a rise of just 10.93 to 3,612.50.

Synthélabo and Sanofi, the country's second and third largest pharmaceuticals groups, were higher on a press report that the two groups would finalise a merger plan next month.

Both companies declined to comment but Synthélabo put on FFr32 to FFr1,110 and Sanofi FFr39 to FFr999.

L'Oreal, which owns 56.6 per cent of Synthélabo, closed up FFr68 to FFr3,192 while Elf Aquitaine, Sanofi's majority shareholder, was FFr26 higher at FFr705, also boosted by a report that it had begun negotiations with an eye to acquiring Petrofina, the Belgian oil group.

The FTSE Eurotop 300 index fell 0.63 or 0.06 per cent to 1,088.44. See Euro Prices page.

Bank shares outperformed on vague rumours of industry consolidation. Société Générale closed FFr15 higher at FFr745 and Paribas FFr6 at FFr440.

Shares in Faurecia, the car parts subsidiary of Peugeot Citroen, were suspended limit down for a second straight day, extending Tuesday's 18.7 per cent crash. The shares were subsequently requoted and closed FFr94 or 10.5 per cent down at FFr800.

The group had been under pressure after issuing its second profits warning of the year on Monday evening.

Euro Disney turned back from a high of FFr9 to close 30 centimes weaker at FFr8.25 in spite of reporting a 34 per cent rise in net income for 1997/98.

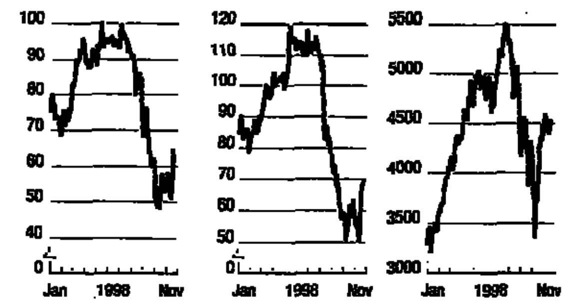
HELSINKI edged ahead as Valmet and Rauma, the engineering groups, continued to benefit from their announcement that they planned to merge. The Hex general index finished up 84.17 or 1.9 per cent at 4,511.9.

Valmet finished FM5 or 8.3 per cent higher at FM65.50, on top of Tuesday's 14.2 per cent rise, while Rauma ended FM4.50 or 6.9 per cent higher at FM70, adding to the previous session's 22.4 per cent surge.

The merger will create one of the world's largest producers of forestry equipment and papermaking machinery with a market capitalisation of FM7bn and sales of FM23bn.

Partek, the construction group, climbed FM2.40 or 5.1 per cent to FM49.90 on speculation that it might sell its forest machinery unit to the merged Valmet-Rauma entity, or that the whole company might become part of the new group.

Valmet Share price (Markka) · **Rauma** Share price (Markka) · **Hex** General index



Source: Datastream/ICV

FRANKFURT continued on a downward path, as the the US rate cut failed to spark a turnaround in sentiment. The Xetra Dax index closed 17.65 lower at 4,700.69.

Banks closed mixed after being early beneficiaries of lower US rates. Commerzbank lost DM1.61 to DM52.25 as investors took profits after recent gains. Dresdner, by contrast, put on 85 pfg at DM 61.40.

The car sector was a beneficiary of a relatively strong dollar. BMW put on DM15 to DM1,130, Volkswagen DM1.20 to DM130 and DaimlerChrysler DM1.10 to DM140.

Drugs and chemicals groups were mostly higher, with the exception of Hoechst which extended Tuesday's loss after disappointing third-quarter earnings and its decision not to comment on rumours of a tie-up with France's Rhône-Poulenc. The Hoechst shares lost DM1.80 to DM75.10.

Among utilities, Viag gave up another DM57 to DM1,060, extending Tuesday's loss following confirmation that it was in talks with Alusuisse on co-operation.

Deutsche Telekom lost DM1.19 to DM45.61 on comments by the chief executive that the recently announced tariff cuts would place a large part of its profits at risk. Ron Sommer said that in order to overcome the risk to profits, the company would have to cut costs and recapture market share.

ZURICH put in a confident performance, spurred higher by selective demand in the financial sector. The SMI index closed 61.9 higher at 6,850.9.

UBS put on SFr7.50 to SFr392.50 in further response to Tuesday's nine-month figures which were in line with expectations.

CS Group was SFr2.50 higher at SFr206.75 after its chief executive Lukas Muehlemann said that the worst of the world financial markets crisis appeared to be over.

In textiles, Rieter rose SFr19 to SFr825 and Saurer SFr7 to SFr735 as matchmakers eyed the groups as potential merger partners.

AMSTERDAM slipped marginally as it continued a quiet period that some analysts think will last until the introduction of the European single currency at the start of next year.

The AEX index closed 1.73 lower at 1,053.60.

The recent stabilisation in the share price of Baan, the software company, proved short-lived. The stock closed down Fl 4.30 or 16.9 per cent at Fl 21.10 as investors reacted to a broker's downgrade.

The shares had rallied on short-covering and speculative buying from a low of Fl 17.80 on October 21.

Philips, Europe's largest consumer electronics group, gained Fl 4.10 or 3.4 per cent to Fl 123.70 on positive sentiment about new products.

MADRID finished down slightly after Telefónica, the communications group, said it proposed to pay no dividend this year.

The Ibex-35 index slid 11.9 to 8,972.4. Telefónica, which accounts for about a fifth of the weighting of the index, closed down Pta10 at Pta6,270 after touching a low of Pta6,110.

Repsol, the energy group, was one of a small number of gainers yesterday. It finished Pta120 or 1.6 per cent ahead at Pta7,610 on expectations that it was about to buy a stake in YPF, the privatised Argentine energy concern.

MILAN ended marginally down on thin volumes. The Mibtel index fell 144 or 0.7 per cent to 20,775.

Shares in Telecom Italia, Italy's second biggest company, slid L102 to L12,655 ahead of a board meeting today. The meeting is expected to result in the appointment of Franco Bernabe, chief executive of Eni, the oil and gas conglomerate, as chief executive.

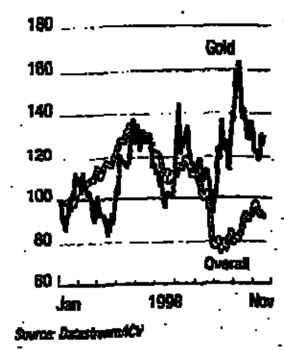
Written and edited by Michael Morgan, Michael Peel and Peter Hall

EMERGING MARKET FOCUS

Golds look for a silver lining

Investors in South African gold shares are not cheering the rand's unexpected recovery against the dollar. For while other sectors remain unscathed, the local currency's strength will knock the rand earnings of mines.

South Africa
JSE indices rebased



Source: Datastream/ICV

The rand's recovery is not the only factor weighing on gold shares. The dollar price of gold bullion has been a big disappointment for gold bugs. By yesterday's close, the golds index had lost about 21 per cent since its October peak when the bullion price hit $300 per ounce. Bullion has since sagged to about $294 per ounce, dragging gold shares in its wake.

Gold bugs were not impressed by the half-hearted rise in the demand for gold when war in Iraq seemed imminent, or when turmoil upset global financial markets. The rand has failed to come to the rescue of gold shares, astonishing economists with its resilience. From its record low of R6.85 to the dollar at the end of August, the currency has strengthened about 17 per cent. Although the rand is looking a little shaky again, it is managing to hold gains.

Analysts are, however, optimistic South African gold mines will survive the rand's recovery relatively unscathed because of rationalisation and restructuring.

About 90 per cent of all South African gold mines were producing gold at below $300 an ounce in the second quarter of this year, compared with only 35 per cent in the first quarter of last year. Moreover, some analysts are also betting that the dollar price of gold will rise early next year.

"Gold shares are reaching another trough and likely to pick up in the new year. We should see the index rally through the 1,200 mark in the first quarter," said Rob Edwards, gold analyst at HSBC Simpson McKie.

Rob Gillan, analyst at stockbrokers E W Balderson, said the significant fall in the rand gold price since October would take a toll on the mines. "Earnings could halve in the current quarter from the high base of the previous quarter."

Nevertheless, he believed the dollar price of gold would rise next year. Gold shares remained a buy in the short term. He said investors looking for short-term performance should consider the more leveraged gold counters such as Randfontein, JCI Gold, Gold Fields and Harmony, while more conservative investors should stick to Anglogold.

The rest of the stock exchange has benefited from the rand's recovery, as the Reserve Bank has responded by easing monetary policy. The prime overdraft rate has been cut to 23.5 per cent from a record high of 25.5 per cent, and is set to fall further. As a result, industrial shares have risen about 25 per cent from the low reached in September.

"Local equity prices have reacted favourably to the onset of a falling interest rate cycle but we're sceptical about the longevity of this run based on interest rates alone, as earnings growth momentum is only expected to pick up in 2000," said BOE Securities economist Herman van Papendorp.

Greta Steyn

Tokyo scales two-month peak

ASIA PACIFIC

Shares in **TOKYO** rose to their highest level for more than two months, led by short-covering in the Nikkei index futures market, *writes Naoko Nakamae.*

Investors rushed to fill their arbitrage positions as Nikkei futures surged ahead. The market also benefited from the decision by the US Federal Reserve to cut interest rates on Tuesday.

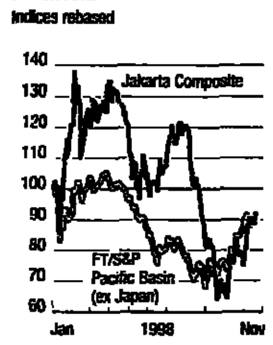
The Nikkei 225 average climbed 186.23 or 1.3 per cent to 14,559.23 after trading between 14,383.36 and 14,701.45.

Other indices were higher, with the weighted Nikkei 300 index rising 1.1 to 222.67, while the broader Topix index of first-sector stocks climbed 5.77 to 1,113.42. Volume was moderate at 477m shares, with 818 issues rising and 344 falling.

Export-oriented stocks were buoyant. Nissan Motor rose Y11 to Y342, Sony was up Y230 to Y8,510 and Honda Motor gained Y100 to Y4,330.

But Pioneer Electric, which announced an 11.8 per cent drop in its first-half consolidated pre-tax profit on Tuesday, saw its shares fall 4.8 per cent or Y110 to Y2,175. Nintendo, whose operating profits also dipped in the first six months of the year, saw its share price lose 4.4 per cent or Y500 to Y10,870.

Indonesia
Indices rebased



Source: Datastream/ICV

In Osaka, the OSE index was up, rising 243.78 to 15,030.29.

JAKARTA ended sharply higher in spite of continued protests in the city centre by students demonstrating against the security forces, which last week killed several pro-reform campaigners.

The composite index closed up 13.79 or 3.9 per cent at 369.99. Dealers said the rise was founded on Tuesday's US interest rate cut, gains by the rupiah and a fall in the number of clashes between pro-democracy protesters and government forces.

Large volumes of blue-chip stocks were bought yesterday, and those holding large dollar debts were particularly heavily bought. The most actively traded stock was Bank Internasional Indonesia, which rose Rp50 to Rp200.

MANILA closed at its highest level for more than four months, buoyed by Tuesday's US rate cut.

The composite index finished 41.54 or 2.3 per cent higher at 1,820.77, compared with its July 9 closing level of 1,828.40.

Property companies and banks prospered on news of the rate cuts. C&P Homes, a housing developer, jumped 0.22 pesos or 20.4 per cent to 1.3 pesos, while Filinvest Land gained 0.34 pesos or 14.4 per cent to 2.70 pesos. Fil-Estate Land rose 0.07 pesos or 8.6 per cent to 0.88 pesos.

KUALA LUMPUR was lower, unimpressed by the cut in US interest rates and unmoved by news from the Asia-Pacific Economic Co-operation summit.

The composite index finished 5.78 or 1.3 per cent down at 458.34 in a consolidation after its recent uptrend.

Shipping companies were actively traded, led by PDZ Holdings which rose 4 cents to S$1.24.

SINGAPORE closed ahead led by property and banking shares, with the Straits Times index closing up 35.94 or 2.9 per cent at 1,271.70.

The prime rate cut by DBS Bank, by half a percentage point to 6 per cent, encouraged active buying. The property index rose 6.7 per cent while the banking index gained 5.6 per cent.

Keppel Land was among the most actively traded, rising 9 cents to S$1.78 and DBS Land adding 17 cents to S$2.17.

KARACHI was lower as investors booked profits in blue chips and the market remained cautious, awaiting a resolution to the row over tariffs between the government and the independent power producers. The KSE-100 index fell 17.44 or 1.8 per cent to 960.85.

THE BUSINESS OF TRAVEL

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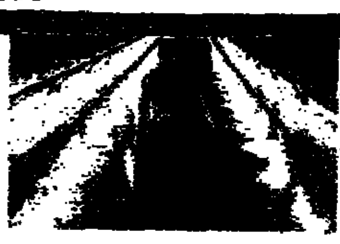

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Brakes are put on spending

The chill wind of recession is threatening to blow around all corners of the world, prompting many companies to ask their staff: 'Is your journey really necessary?' Amon Cohen reports

Tighten those belts, batten down the hatches – recession may be on its way and corporate travel, as ever, is one of the earliest casualties. Carlson Wagonlit Travel, one of the world's top three business travel agencies, reports that expenditure by clients is 10 per cent down on last year.

Some companies, including Philips, have effectively put a block on all but essential travel until the end of the year. "It is not a total ban, but it is near enough," says Herman Mensink, director of worldwide corporate travel for the Dutch electronics group.

"Our travellers now need three extra levels of approval for their trips, and it is the same with most other Dutch companies. People may think we are over-reacting, but we want to repair the roof before it starts to rain."

Business travellers will therefore find a multitude of restrictions raining down on them as companies shrink budgets over the coming months. Most simply, they will be asked whether they really need to travel in the first place. One measure being introduced by Philips is persuading just one employee to make a trip when previously three or four colleagues would have travelled together.

Carlson Wagonlit also reports that average ticket prices rose only 1 per cent in September, compared with a year ago. That compares with a year-on-year rise of 7 per cent in the first half of 1998 and 13 per cent in 1997, when the global economy was booming.

There are two main reasons for this deceleration, which could well turn into an actual drop in average prices. One is that business travellers are returning to the economy class cabins they have not seen since the Gulf war recession ended. According to Mike Platt, director of commercial affairs for BTI UK Hogg Robinson, among the first to suffer demotion this time round have been travellers employed in the financial sector.

Much of the pressure to downgrade is being exerted by individual budget-holders, according to American Express's Europe director of air purchasing, Kyle Davis. "Even if the official policy is business class, managers are telling travellers that if they want to attend that meeting in New York they will have to fly economy," he says. "We are seeing tighter controls being introduced at national and cost-centre levels rather than at a global level.

There is, however, a ray of hope for corporate travellers that they can retain their business class status even as managers trim budgets. Simple laws of supply and demand mean that airlines which turned up their noses at the idea of giving corporate discounts a couple of years ago are now falling over themselves to negotiate.

"Opportunities for savings are going to be so much bigger now that there will be more empty seats," says Mr Davis. "When the pie starts to shrink they all want a bigger piece of it. Airlines are becoming much more aggressive on routes where they are not strong."

The anticipated surge in corporate deals with airlines will mean that even if they are able to stay at the front of the aircraft, travellers will be given less latitude in their choice of carrier.

"Earlier in the decade companies went from having no travel policy to creating a recommended policy," says Mr Platt. "Now they are moving from recommending policy to mandating it. Instead of saying 'please will you fly on this airline', they are saying 'you *will* fly on this airline'."

Prices are also starting to soften in the hotel market. Since the mid-1990s Hong Kong and London have been two of the most difficult cities in which to find a bed. Rooms are now freely available in Hong Kong – and at reduced prices.

London is also expected to slacken, though from an even stronger position. Occupancy in recent years has approached 90 per cent at top establishments in the UK capital. Hotels may agree to slightly better corporate discounts and there will now be last-minute availability. But do not expect a return to the Gulf war extreme of travellers walking up to the front desk and naming their price.

Negotiating corporate discounts and tightening policy will undoubtedly intensify, but travel managers are also looking to take the war on travel costs to new battlegrounds.

"Cost-consciousness has been with us at least since the Gulf war and is here to stay," says Andrew Fletcher, chairman of the Business Travel Liaison Group, which represents two dozen of the largest travel purchasers in the UK. "What we are now looking at is making additional savings through process improvement.

In particular, the BTLG has witnessed companies putting more and more of their travel and entertainment expenditure through a corporate payment card, especially by using lodged accounts. A lodged account is a single, notional card which a company places with its travel agent and through which it books all its travel requirements.

"Lodged accounts relieve a company of many transaction costs," says Mr Fletcher. "They also automatically generate expense reports for the traveller."

All the traveller has to do is add expenses not incurred through the card and remove those which were for personal use before despatching their reports electronically for approval. Companies are also finding card data helps them gain a much more accurate idea of their spending patterns, which enables them to negotiate more precisely.

A more heavily hyped transformation of the travel process for which Mr Fletcher has rather more mixed feelings is self-service reservations. Ever since corporations embraced the internet there has been much trumpeting of the potential for travellers to book trips from their desktop PCs, thus eliminating in-house travel staff and reducing transaction fees paid to travel agents.

There were initial fears that without human intervention such systems would enable travellers to circumvent travel policy, but the latest generation of systems have policy controls built in, allowing bookings to be made only if they are with approved carriers and in the appropriate class.

In spite of the apparent appeal of self-service reservations they have been slow to materialise, particularly in Europe. Part of the reason has been the pre-occupation of IT departments with other issues, such as Year 2000 and the single European currency. However, there is also a marked reluctance among travel professionals to embrace the new technology.

"IT may produce savings, but I would not get too excited about it," says Mr Fletcher. "There is likely to be some use for simple point-to-point (ie, there and back) reservations, but until we get a system that is demonstrably quicker, easier and cheaper than using the telephone, I think we will be quizzical about it."

His views are echoed by Mr Platt. "The systems are not cheap and they can use up a lot of the traveller's time," he says.

The same scepticism applies to video-conferencing, the much-vaunted nemesis of physical travel. Philips's Mr Mensink is not so sure. "We are heavily promoting video-conferencing, and it is being used, but it is hard to measure whether it is being used as well as, or instead of, business travel," he says.

Business travel may cost corporations dear but can they afford to be without it? This time round, unlike the Gulf war period, companies are likely to find ways to purchase more smartly rather than stop travel."

PARTNERS APART by Rachael Jolley

When there's a feeling of guilt

The need to juggle work commitments and home life can be stressful for all parties involved

Loneliness of the road warrior: Some are wondering if a new EU directive on working time will have an impact on their lives — Jennifer Huntley

Ray Eglington missed his wife's birthday and their wedding anniversary last year – he was away on business trips for both occasions.

While he, like many others, might try to compensate by arriving home with presents or celebrating early, there is no way of avoiding that pit-of-the-stomach feeling of letting someone down and wishing yourself at home rather than alone in a hotel room with a room service dinner.

"I probably end up spending more money because I feel guilty that I missed things," says Mr Eglington. He thinks the expensive gift and chocolate shops in airport departure lounges profit from business travellers' efforts to make amends with their families by arriving with armfuls of presents.

Mr Eglington, a director at public relations company Charles Barker, has been away from home at least once a week for the last five years, mostly on short-haul trips to Brussels but occasionally on longer business trips to Asia and the US. "One client insisted that meetings started at 9am, so it was a case of always having to fly out the night before. After the meeting there would be a business dinner and I would eventually get home at 10pm.

"The whole experience becomes pressured. We travelled on Virgin Express to Brussels and there were always delays. It just adds to the time and pressure."

It was the travel policy of his then employer not to allow staff to switch to another airline, and that involved travel to Heathrow from Mr Eglington's Oxfordshire home when Birmingham would have been nearer and easier. It took time to persuade the company to change the policy.

"More business people travel than five years ago, but few do it as much as I do," says Mr Eglington, who is concerned about the impact of his regular business trips on his ability to help his wife look after their first child.

"When my wife first told me she was pregnant I had just got back from a few days away and she had to wake me up to tell me the news," he says, illustrating the point that even when travellers eventually get home it takes time to recover from the pressures of a trip.

"It makes an impact on your social life – I was away at least part of 12 weekends last year. You can't plan to go away or have friends around

"Now we are going to have a child I can see it having an even bigger impact. I can see myself missing important moments – like the baby's first word, and that would be awful."

Mr Eglington says many employers still see international travel as a perk when essentially it means working longer hours.

Joan Scales, travel manager at the Irish Times, is sometimes able to take her children with her on trips and then adds on a weekend's holiday. Ms Scales, who has two children, says: "It must have an impact on your family life. You have an awful lot of organising to do before you leave, just getting the home ready, organising school lunches and laundry."

Employers understand that business travel affects their staff's personal lives, but that does not mean it makes them more likely to be flexible, Ms Scales believes. It is not as though they are going to say: "Oh, it's your husband's birthday; you don't have to go." Ms Scales says: "It's part of your job; if you are a road warrior you have to go."

It is essential that employers recognise that their staff are part of a family and need to keep in touch. "Personal calls home should be paid for by the company. That shouldn't be a problem," says Ms Scales.

Some business men and women are wondering if the EU Working Time Directive will have an impact on the number of hours they spend travelling. "You can end up working an 18-hour day,", says one. Another suggests that there could be much more flexibility about coming back to the office the day after a trip.

While frequent-flyer points are seen as one perk of a business traveller's lifestyle, few seem to find the opportunity to spend them. Fitting that weekend away into a busy life, especially if both partners work, is an almost impossible business.

Arranging for a partner to join the trip and stay out for a few days' break also happens infrequently. "We have only managed it once in five years," says Mr Eglington.

Scheduling holidays can also prove a problem. Research by Hyatt Hotels found that arguments between couples often stemmed from senior executives having to work during a holiday. Top executives were more likely than middle or lower managers to have to cut a holiday short because of work pressures. A quarter of executives interviewed said work interfered with their family trips.

Experts see the regular absence of one parent, due to business travel, changing the relationship between the parents and their children. Psychologist Dr Dorothy Rowe says "It's very difficult for a family to develop as a group when one of the parents is simply not present. It can lead to a lot of conflicts."

Children can see the returning traveller as "the good guy", coming home loaded with presents, while the parent coping at home has to inflict discipline and sort out day-to-day problems, she says. "The one who is away a lot often doesn't have to do a lot of the domestic chores, like shopping."

THE MILLENNIUM by Roger Bray

Super party or one big headache?

Extravagant plans for celebrating a new year in special style look as if they may be watered down as reality takes a hold

For a while it looked like being the most extravagant corporate bash ever seen. Companies would fly valued distributors and clients to the Pacific to catch the first glimmering of the new millennium as the sun rose over an ocean of champagne. Then reality set in.

It was not just the "millennium bomb" – the Y2K problem – that dampened the early fires of enthusiasm. There were so many other uncertainties, not least the question whether hoteliers and restaurateurs would open at all on the night of January 31 1999. One recent assessment in the UK suggested at least half had yet to make up their minds.

The reason so many are undecided is that they cannot work out the equation between cost and demand. Clearly they will need to offer expensive bonuses if they are to persuade enough employees to work. The manager of one European five-star hotel even considered flying in Middle Eastern staff, for whom the date bears no significance. Entertainers are asking three times their usual fees.

Then there is the issue of insurance. It should be possible to arrange cover for medical treatment arising from accidents in which the "bomb" is a factor, but it will be more difficult to ensure against travel delays or disrupted festivities.

"This was going to be the biggest jamboree ever in the world of corporate entertaining," says Sarah Webster, executive director of the UK's Incentive Travel & Meetings Association. "There were going to be events on the International Date Line, parties celebrating the event in several different places.

"But who wants to spend thousands, maybe millions, of pounds when the lights may go out or the lifts may not work. Besides, we don't even know yet whether there are going to be any aircraft in the sky."

The aviation industry is among the most advanced in heading off potential snags. While reports persist of complacency elsewhere, it has committed enormous amounts of money to ensure that airline operations and those of their many suppliers are not affected by time-sensitive embedded systems. British Airways is spending some £100m For American Airlines and its subsidiary, the Sabre computer reservations system, the bill is US$200m.

The two leading manufacturers of airliners, Airbus Industrie and Boeing, claim the few items of onboard equipment which are date-sensitive are being 'doctored' and that they are not critical to safety in any case. Airbus has made test flights during which the aircraft's clock was allowed to tick over from December 31 1999 to January 1 2000. It says there were "no failures, warnings or problems of any kind".

Safety organisations are running similar checks. The UK Civil Aviation Authority has already tested 18 of its main software systems, including one which supplies an aircraft's call sign, height and destination so that air traffic controllers have more to go on than just blips on their screens. "They all came through," says a spokesman.

Despite such reassurances, however, some airlines are still undecided about how to organise their schedules, and it seems unlikely many will risk having aircraft in the skies for several hours either side of midnight.

Among those still expressing concern is KLM, whose millennium communications officer, Hugo Baas, says: "We will do everything to ensure normal operations – but there are so many outside influences and we will take all measures necessary for safety, even if we have to ground aircraft on certain routes."

While the Association of British Insurers thinks it likely that members will exclude travel delays, Brian Kirsch, managing director of London-based Applewell Insurance Brokers, is more optimistic. "It depends," he says. "If you satisfy the insurer that the risk is acceptable and can be measured, that you have done everything you can to limit it, and that the is a limit to the potential loss, it may be possible to get cover.

"What the insurance industry does not want to do is to take on what we call the moral hazard – people acting differently because they have insurance."

The cloud of uncertainty is thickened by the big hotel groups, most of which remain remarkably reluctant to discuss likely events at their properties. Neither Hyatt nor Hilton, for example, is yet able to provide any details.

Peter Richardson, partner in Fanfare 3000, which specialises in corporate entertainment, believes companies will steer clear of the celebrations and stage parties to herald the millennium in the new year – probably in summer when open air events are possible.

Even if companies do want to sponsor events on the big night itself, planning will be extremely difficult. "On one hand people have no idea what the demand for entertainment is going to be; on the other, nobody has any idea what things are going to cost," says Mr Richardson.

"If the price of holding events is two, three or even four times the norm, they may not be able to claim it against tax." Besides, companies know this will be a night most people will want to spend with their families."

As an example of the difficulties facing party planners, he cites efforts to book a military band for a London hotel. The hotel's management, he says, may have to wait until midway through 1999 to find out whether the band will be available – or will be needed for some state event.

Many well-heeled private revellers have brushed aside all the millennium uncertainties, however. Luxury cruise line Silverseas reports that customers have been quite happy to stump up $5,000 deposits to secure cabins on the two ships which it will send across the International Date Line at midnight. The total cost of the trip will be at least $25,000. And the Grand Suite on one of the vessels, Silver Wind, was booked some time ago by a couple who paid nearly $120,000 – up front and in full.

FOCUS GROUP by Scheherazade Daneshkhu

Service to remember – or maybe forget

FT readers give their views on business travel. Their discussions show that you cannot please all the people all of the time

Does the perfect business hotel really exist? That was a question, on the face of it a simply enough one asked by a business travel magazine recently

At a recent focus group held at the London Hyatt Carlton Tower, Financial Times reader volunteers discussed the future of business travel and the services they liked or disliked The participants came from a cross-section of businesses, including large corporations such as Chase Manhattan bank to small limited companies.

The volunteers remembered outstanding service. One spoke about the time he went out running in Boston and returned to his hotel to find a man at the door holding a bottle of mineral water and a basket of towels.

Another said he had been impressed when he was given a fresh T-shirt to change into as he walked out of his Hong Kong hotel gym after a work-out.

All agreed that having a permanently-staffed technology help desk would be a great service to help with computer problems and the recharging of mobile phones. Most agreed, too, that even if hotels provided a desktop computer, they would still need to take their laptop with them to use at meetings and in airport lounges.

There was also universal acknowledgement that hotel swimming pools and health clubs should extend their opening hours, and irritation over widespread high telephone charges.

But there was no agreement on what constitutes the perfect business hotel – it meant different things to each traveller.

Some said they went out of their way to avoid large chains, prefering intimate hotels with good restaurants; others rated the reliability of the larger chains, particularly in developing countries.

Some wanted a home away from home, while others wanted more of an office away from the office. One said the perfect hotel would provide access to a 24-hour office suite while the room would be solely for relaxation instead of a half-hearted attempt at providing office facilities.

Michael Gray, general manager of the Hyatt Carlton Tower, used the example of the evening turn-down service to illustrate the dilemma for hotel managers in gauging what their guests wanted. Some regarded it as an invasion of privacy and an unnecessary disturbance, but if the hotel removed it others interpreted it as a reduction in service levels. One of the FT forum participants said his wife had been impressed when the maid had laid out the night-clothes, found her book and put that with them.

A notice in the room inviting guests to call if they want a turn-down might seem the perfect compromise – but some guests would regard that as churlish service provision.

More generally, the experienced travellers found business travel a chore unless it was to a new destination, hence the desire for maximum convenience and comfort. They disliked having to fill in passport details when arriving at their hotel and appreciated good frequent flyer lounges – to the extent that they would avoid certain airlines if their lounges were not up to scratch.

Hotel loyalty programmes were regarded as unexciting. "They tend to give you more nights in the same hotel, which doesn't motivate," was one comment – privileges such as room upgrades and late check-out were regarded as more worthwhile. There was enthusiastic support for the idea of hotel points providing non-travel benefits, such as opera or World Cup football tickets.

Airline miles were far more valued for their use in holiday travel, although some airlines were criticised for poor redemption rates. The establishment of a clearing house for swapping unused frequent flyer points would be a welcome development.

Although all agreed that the cost of fully flexible European air tickets was outrageously high, few liked the idea of travelling for business on low-cost carriers. Sacrificing comfort and reliability for cost did not seem worthwhile.

The internet was seen as useful for checking and gathering information but none felt it was reliable enough yet for booking travel. For that to happen it would have to respond to a booking order with confirmation and reservation details, in much the same way as a telephone booking.

The idea of using the internet to search for the cheapest deals appealed but only if supplied by an independent business in a reliable, quick and user-friendly way.

FARES by Amon Cohen

Pay your money, take your choice

Travel organisers may well be attracted by budget offers, but lack of flexibility means they are not always the most suitable

Bridge the World, a travel agency specialising in cheap fares to long-haul destinations, recently offered London-Sydney in business class for £1,835 return. The same route in business class would cost around £4,000 if purchased direct from British Airways.

Apart from sharing the same cities and the same class of travel, however, these two fares have little in common. The BA service flies direct to the southern hemisphere and is fully flexible – it can be altered or cancelled at no charge. Furthermore, BA flies to Sydney two to three times daily in association with Qantas.

The fare that was offered by Bridge the World was what is known as a wholesale, or consolidated, fare. Essentially a sale of distressed inventory, airlines which know they are not going to fill their cabins offload seats at knock-down prices to travel agents, who sell them on to the public at a mark-up of 5 to 9 per cent.

In this case, the Sydney flight was via Vienna with Austrian carrier Lauda-Air, which operates onward services to Sydney only twice a week. The ticket could be transferred to another Lauda flight but not to another airline.

Such is the dilemma of cheap fares for the corporate traveller. They can halve your travel bill but double the inconvenience of flying. Fully-fledged business travel agencies offer consolidated fares but their inflexibility is one of the main reasons why they only account for 10 per cent of sales at BTI UK Hogg Robinson, even though Hogg earns its income by cutting travel budgets for clients.

"Flying indirectly is great for the budget-holder, but for the traveller it can be hard on the body," says Tom Stone, travel manager for SmithKline Beecham. "When we compare consolidated fares with published fares, we have to factor in the inconvenience."

American Express's European director of air purchasing, Kyle Davis, says: "The value of consolidated fares depends on whether the corporate culture is more geared towards maximising savings or looking after the needs of its employees. It also depends on whether the traveller has the sort of schedule that is liable to last-minute changes."

Mr Davis also points out that restricted fares normally give no frequent-flyer points and sometimes even deny access to business-class lounges. As a further note of caution he urges against using them to developing countries, where it is advisable to keep options open for rapid retreat with other airlines.

Jerry Bridge, managing director of Bridge the World, acknowledges all these limitations but argues that there is a market for consolidated fares. "A lot of business people come to us because we can offer better deals than they receive from their in-house travel agent," he says. "The person who arranges travel in any large company should have the telephone numbers of a couple of consolidators with whom they can compare fares."

However, consolidated fares may not even save a company money in the long run. Most companies which spend £100,000 or more per year on travel have at least one or two deals in place with preferred carriers. To earn its rebate at the end of the year the client has to deliver an agreed minimum volume of business.

"If you use consolidated fares heavily you have to be careful not to miss your targets with preferred suppliers," says Richard Lovell, executive vice-president for northern Europe at Carlson Wagonlit Travel. That is why many corporations – especially in the US – are now attempting to negotiate private net fares with airlines, essentially a blend of the wholesale fare and preferred carrier principles. Instead of giving a rebate at the end of an agreed period, the airline gives the corporate client an up-front discount on each ticket.

"Net fares cannot be used on any other carrier but they are otherwise pretty flexible," says Mike Platt, Hogg's commercial director. "They are particularly attractive in times of economic difficulty when the budget-holder needs to show the benefits of savings immediately."

Wholesale and net fares are not the only cheap ticketing options open to the business traveller. There are also published fares which are discounted because of restrictions on purchasing periods or length of stay.

"We are encouraging employees to think ahead and make advance purchases, which can provide significant savings," says Tom Stone. "One of the few advantages of demand outstripping supply in recent years has been the help it has given us with this message. Anyone who leaves their trip to the last couple of days has not been able to expect their favourite window seat on the upper deck."

Many of the cheapest fares require spending a Saturday night at the destination, a condition that is clearly designed to make them inappropriate for business travellers. The Irish Times circumvents this rule by offering to pay for its travellers to spend the weekend in a hotel. "We will still save I£400 to I£500 and our travellers are happy with it because they get a free weekend away," says Irish Times travel manager Joan Scales.

The military aircraft division of British Aerospace, based in Lancashire, has cost-conscious travellers who adopt a similar approach to travel with low-cost carriers based at southern airports such as Luton and Stansted. "Some of our travellers will drive for several hours to these airports the night before and stay in a Travelodge to take advantage of the cheap fares," says company secretary Andrew Fletcher.

NEWS IN BRIEF by Roger Bray

Medical help is on the increase

The odds against surviving a sudden, drastic illness in flight continue to shorten. Dubai-based airline Emirates is the latest to sign up with the MedLink Center, which provides round-the-clock medical advice to pilots and cabin crew via satellite telephone links from its base in Phoenix, Arizona. The captain can then use that advice to assess whether an emergency diversion is necessary.

The airline already carries defibrillators, which can be used to restore the heart's normal rhythm. Though the equipment does not help in every case, Emirates claims it saved one passenger's life recently.

Meanwhile, Remote Diagnostic Technologies, based in Hampshire, southern England, has designed a new system for sending crucial medical information to the ground by modem. It incorporates an electrocardiogram and enables doctors at base to monitor the patient's heart rate, blood pressure and oxygen and temperature.

Such devices have existed for some time but the company says this one is different because the lid which contains the screen is removable and can stand alone, allowing great flexibility in tight spaces on aircraft, and because it has an apron which fits under the patient's arms, which contains the 12 electrocardiogram contact leads needed to make an accurate assessment when a passenger suffers heart problems.

Raw deal for vegetarians

Conference delegates are becoming increasingly health conscious, a survey suggests. The average proportion requesting vegetarian food has risen to 20 per cent, but a poll of UK conference organisers by London-based meetings specialists Banks Sadler found only 47 per cent of venues provided the right kind of meals, offered with "the right attitude".

Vegetarians, it seems, are often served after their fellow-diners and must sometimes put up with sometimes "insulting" dishes. In one report instance they were simply given the vegetables which accompanied the meat.

Hotels and other caterers may need to sharpen up their act. Almost three-quarters of the organisers thought demand for vegetarian options would increase rapidly.

Dealing with unsavoury passengers

KLM is using actors to simulate ugly incidents involving unruly or violent passengers. Their role will be to demonstrate to cabin and ground staff ways of handling customers who ignore requests to tone down their behaviour. The series of "dealing with aggression" classes will demonstrate methods ranging from a polite refusal to serve any more alcohol to snapping on handcuffs.

The Dutch airline, which carries around 15m passengers a year, reckons to deal with some 100 problem passengers a month. Last year 10 had to be handcuffed. Drink is a prime cause.

New shuttle at LAX

Polls among business travellers continue to suggest that few perceive any substantial benefits from airline alliances, but they do bring some modest advantages.

For example, Air New Zealand, which is due to join the group of carriers known as the Star Alliance in January, has teamed up with Air Canada to launch what they claim is the first free, privately-owned and operated ground shuttle at Los Angeles International airport. The aim is to ease transfers between their flights and those operated by other members of the group. It runs between 10am and 10 pm and connects Terminal 2, where its two operators are based, with Terminal 7, which is used by Lufthansa and United Airlines.

Accor moves into Manhattan

The French Accor group is building a new hotel in Manhattan. Due to open in 2000, the 400-room Sofitel will rub shoulders with the Harvard and New York yacht clubs on 44th Street, between Fifth and Sixth Avenues.

Accor says the facade fronting the first four floors will have a traditional look but above them a 30-storey curved tower of limestone and glass will add another distinctive profile to the skyline. The company promises a touch of Paris, with floor-to-ceiling windows in its brasserie-style restaurant which can be opened onto the street in fine weather. Among the meeting rooms will be one with video conferencing equipment.

Cape price war on horizon

Cape Town hotels could be plunged into a price war as developers plan to open yet more new properties next year. Last year the average amount paid for a room there increased by 10.3 per cent in US dollar terms despite a fall of 7.7 per cent in occupancy, says a report on Africa and the Middle East from hotel industry consultants Pannell Kerr Forster.

More than 2,000 rooms have been added in the past two years, although the full impact of over-supply is not likely to be felt until 1999, when there will be further new openings. The report says that hotels on the Victoria & Alfred Waterfront have done better than those in the city centre. However, it is not clear what effect what effect the recent bombing of Planet Hollywood there will have on neighbouring businesses.

ALLIANCES by Michael Skapinker

Passengers not convinced

Airlines are tumbling into agreements, but questions remain over the benefits being delivered to fare-payers

When Erik Strand, senior vice-president of Scandinavian Airlines System (SAS), told a conference in Stockholm earlier this year that airline alliances helped bring down fares, his audience shouted "No!"

They were in a position to know whether airline alliances bring fares down. His audience of corporate travel buyers included some of Scandinavia's leading purchasers of airline tickets.

Airline alliances provoke strong reactions among those who make business travel decisions. Some business travellers are prepared to concede that airline alliances make travel easier. This is because companies can use a single alliance to arrange travel to a wide range of destinations. Others say the alliances are too new and disorganised to do even that. And most corporate travel buyers appear to believe airline alliances make flying more expensive.

One of the difficulties is that airline alliances are relatively new. Their membership is still unsettled, and they have yet to achieve the efficiencies they promise.

There appear to be four large airline alliances in the making. The longest established is between KLM of the Netherlands and Northwest Airlines of the US. Although the two airlines have been through some rocky times, when legal disputes threatened to break up their partnership, their alliance has endured.

Gordon Bethune, chairman of Continental Airlines of the US, believes the KLM-Northwest link-up could form the basis of an even bigger alliance, which could be called Wings. This could include KLM, Northwest, Continental, Air France, Alitalia and Virgin Atlantic. Northwest has already announced plans to buy a 14 per cent stake in Continental, although this has yet to receive approval from the US Department of Justice.

A better established airline grouping is the Star Alliance. This is made up of six airlines – United Airlines of the US, Lufthansa of Germany, SAS, Air Canada, Thai Airlines and Varig of Brazil – but could become bigger still. All Nippon Airways has said it intends to become a member, as do Air New Zealand and Ansett of Australia. Singapore Airlines has partnership agreements with both Lufthansa and SAS, although it is not yet clear that it will join the Star Alliance. Jan Stenberg, SAS's chief executive, says 10 members would be the optimal size for the Star Alliance.

The Star Alliance's largest challenger is Oneworld, a five-airline grouping launched earlier this year. Led by British Airways and American Airlines, Oneworld also includes Canadian Airlines, Qantas of Australia and Cathay Pacific, the Hong Kong-based carrier.

BA and American have wide-ranging plans for a close alliance, which would include setting fares jointly, co-ordinating flights and sharing revenues. However, the airlines have said they are prepared to wait several years for the regulatory approval for such an alliance, and will concentrate on developing Oneworld in the meantime.

The partners could code share, which means they would sell seats on each other's flights. Future members of Oneworld could be Iberia of Spain, in which BA and American are buying minority stakes, and Japan Airlines.

The fourth alliance is between Delta Airlines, Swissair, Austrian Airlines and Sabena of Belgium.

All the alliances say they established themselves in response to customer demand. Companies want to be able to fly their staff anywhere in the world and few airlines provide the sort of global coverage demanded. Being part of an alliance means that if one airline does not offer flights to a particular destination, one of its partners will. Airline partnerships such as the Star Alliance and Oneworld have included airlines from the Americas, Asia and Europe.

The alliance partners say they can offer the convenience of ensuring luggage is checked through to a final destination, even when passengers are changing flights several times. The airline partners offer passengers the use of one another's airport lounges. They try, where possible, to use the same airport terminal, with check-in desks close to each other. BA and American want to make the planned fifth terminal at London's Heathrow airport their joint base. Alliance members also pool frequent flyer points so that travelling with one partner means collecting miles on all the others.

So why the complaints from some travellers and corporate travel buyers? The first reason is that it is taking time for the alliances to put the promised structures in place. They are made up of airlines from different countries and cultures and co-operation does not always come easily. Oneworld hopes its alliance will run more smoothly than some of the others because its founding members are from English-speaking countries or countries with a strong Anglo-Saxon tradition.

The second reason some travellers are complaining is because some of the alliances gave them to understand that they would bring fares down. This does not seem to be happening, and Mr Bethune of Continental believes alliances should not be promising lower fares.

"I don't think we ought to go around saying we'd like to lower prices," Mr Bethune says. The alliances provide a better service by making flight connections easier. "You get extra value. That non-stop service is worth something. You can earn frequent flyer points."

So passengers should be prepared to pay extra for that? "Sure," says Mr Bethune. "What's free in life? Your mother's love? You've got to earn that, too."

THE BUSINESS OF TRAVEL: AIRPORTS

Getting to and from an airport can be a tricky exercise in many countries, even where new infrastructure has been provided. FT correspondents look at the options for travellers to three cities

HONG KONG by Louise Lucas

Efficiency, at a price

Before the cargo fiasco erupted on to the scene, the biggest gripe about Hong Kong's new international airport was its destination – 34 kilometres from downtown Hong Kong on Lantau island.

Five months on, these complaints are seldom heard. Passengers who opt for buses or taxis to Chek Lap Kok face a journey time in excess of one hour, more than twice the time required to reach the old airport on the Kowloon peninsula, but by train the time is barely changed.

Bus fares range from HK$14 to HK$45, dropping to HK$20 to HK$35 for overnight services. Taxis, which previously gave change from HK$100, now clock in at around $350 to Central or HK$285 to Tsim Sha Tsui in Kowloon. Limousines cost marginally more.

Cheaper, and infinitely faster, is the railway, a new train run by the Mass Transit Railway Corporation which takes 23 minutes from Central. Trains leave every 12 minutes.

Surprisingly, a recent survey carried out by the Hong Kong Tourist Association showed that just under one-third of all departing respondents used the railway which was, nonetheless, the most popular means of travel.

The main Central station looks more like an airport departure hall and, conveniently, luggage can be checked in here before heading off to the airport. (The same does not apply when arriving in Hong Kong).

Staff, colour-coded in red, are on hand at all points to offer help, including lifting bags on to the train. There are no stairs to negotiate and for extra safety an automatically opening glass panel screens off the rails until the train arrives and comes to a safe standstill.

It is early days, but the railway is generally uncrowded, clean and easy to use. There are even (rather monotonous) information videos running on small screens embedded in the backs of seats.

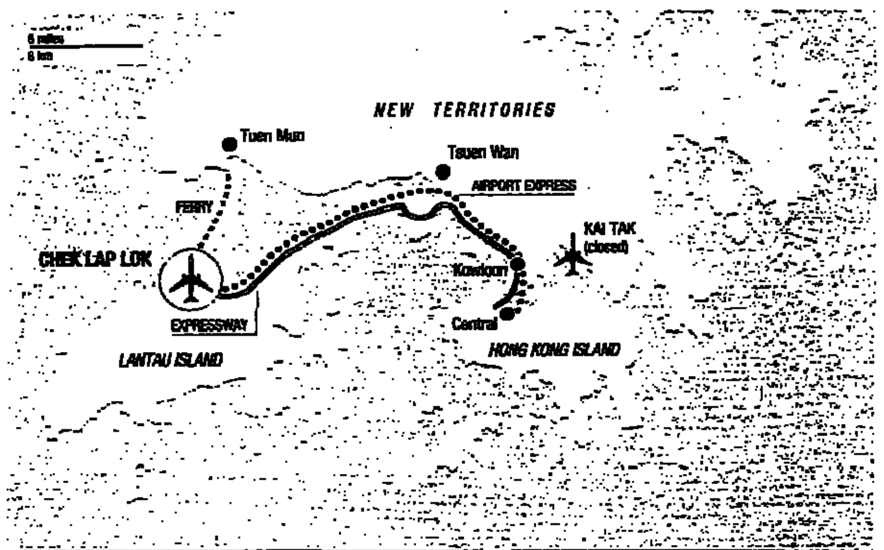
The fare is HK$100, or HK$150 for same-day return. A promotional rate of HK$70 ends on December 31. Children's fares are clearly flexible – a three-year-old was charged a child's fare on the way out, but the return journey was gratis. Theoretically, they are eligible to pay HK$50 from age three.

One advantage of the elongated airport-to-downtown journey is that the hoardes of relatives, friends and onlookers that crowded Kai Tak's arrival hall are reduced to a sprinkling of diehards. This, combined with the swollen ranks of immigration and check-in counters, means that passage from airport to train is usually swift.

The railway can drop passengers off in both Tsim Sha Tsui and Central, among other stops. From there, taxis are available along with hotel shuttle buses. In Central some of the main hotels are just a 10-minute walk away, assuming light luggage.

As with most Asian cities, traffic is a perennial problem in Hong Kong and it is best to leave extra time if using taxis or limousines. When leaving Hong Kong airport, choose a taxi according to colour.

Green cabs only serve the New Territories, blue are restricted to Lantau (including airport areas) and red taxis cover the entire urban area but not non-airport parts of Lantau.



Hong Kong (Chek Lap Kok)

Airport Express: Limited-stop trains between airport and Central take 23 minutes, running between 6am and 1am.
Buses: Various services, day and night, typically taking 70 minutes between the airport and Hong Kong.
Taxis: All types of cabs (urban, New Territories, Lantau) serve the airport, but see story.
High-speed ferry: Service to Tuen Mun takes ten minutes and runs at 20-30 minute intervals between 6am and 10pm.

Useful numbers	
Citybus:	2873 0818
Long Win:	2745 4466 & 2786 6036
New Lantao Bus:	2984 9848
MTR Corporation:	2881 8888
Airport Ferry Services:	2987 7351
Airport:	2181 8888 (Chinese)
	2181 0000 (English)

NEW YORK by Richard Tomkins

Some tricky connections

New York's airports are some of the worst connected of any large city in the developed world, and the bad news is that things are not about to get much better.

Of the three main airports – John F. Kennedy International, LaGuardia and Newark – none has a direct rail or subway link with Manhattan, so congested roads provide the main means of access.

Planners have recognised the need for a rail line to JFK, the city's main airport, for decades but scheme after scheme has failed because no one has been prepared to face up to the cost.

A few weeks ago, amid much fanfare, construction started on a $1.5bn scheme called Airtrain, which will provide a light rail link with JFK.

"The sleek, futuristic train system will whisk travellers quickly and dependably to and from the epicentre of world travel," crowed the Port Authority of New York and New Jersey, the public sector body that runs the city's three airports.

But, in truth, Airtrain must rank among the most pointless public transport schemes in recent years, providing little benefit to the travelling public despite its large cost.

Rather than connecting JFK airport with Manhattan, where most travellers want to go, Airtrain will call at six stops in the airport and a car rental lot before terminating at Jamaica Station, a sprawling railway junction in a remote area of Queens.

At Jamaica, passengers will have to pick up their bags and transfer to the Long Island Rail Road, a suburban railway system, hoping to find a seat on the busy commuter trains running into Manhattan's Penn Station. Once there, they will have to change to another means of transport to reach their final destination.

Airline passengers are highly resistant to changing modes of transport because they tend to be laden with baggage, so it is hard to see what benefits Airtrain will bring to anyone other than airport workers, who are expected to be among the main users.

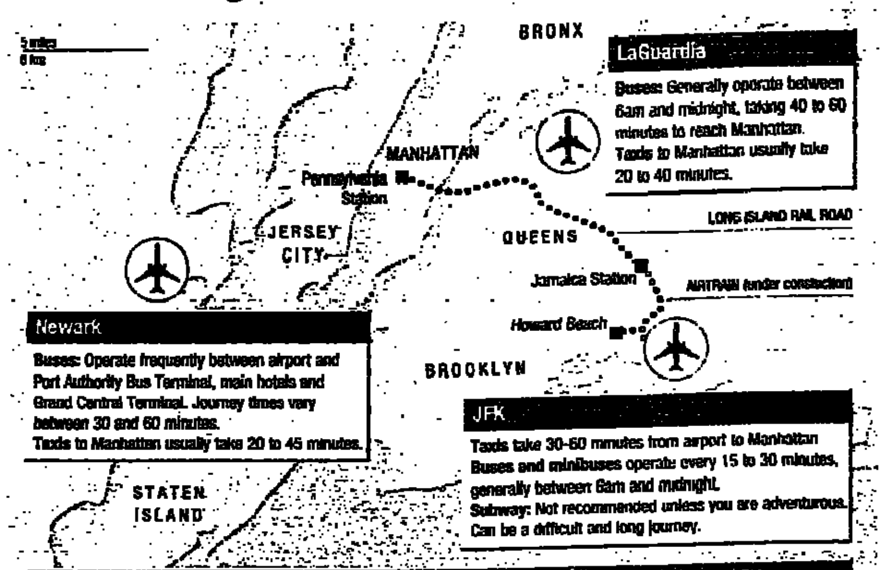
Another rail system is planned for Newark, in this case an extension of the monorail already linking the airport's three terminals, taking it to the main railway station in the nearby city of Newark.

Newark station is served by trains running into Manhattan. But, again, it is a dismal, crowded place serving mainly commuters, and airline travellers seem unlikely to consider the journey an acceptable substitute for a direct link.

With no rail lines to any of the three terminals, how do most travellers reach them? People on a tight budget use express buses which link the airports with Manahattan's Grand Central Station or Port Authority Bus Terminal. A one-way ticket costs $7 to Newark, $9 to LaGuardia and $13 to JFK.

For people in a hurry a helicopter service links JFK's terminal 3 with the East 34th Street Heliport in Manhattan and is reasonably priced at $70 to $75. The journey takes 10 minutes.

Otherwise, most people take their chance with the traffic and use a taxi. The cost is fixed at $30 from JFK to any point in Manhattan, plus tolls and an obligatory $5 tip. The cost is a little more from Newark and a little less from LaGuardia.



LaGuardia

Buses: Generally operate between 6am and midnight, taking 40 to 60 minutes to reach Manhattan.
Taxis to Manhattan usually take 20 to 40 minutes.

Newark

Buses: Operate frequently between airport and Port Authority Bus Terminal, main hotels and Grand Central Terminal. Journey times vary between 30 and 60 minutes.
Taxis to Manhattan usually take 20 to 45 minutes.

JFK

Taxis take 30-60 minutes from airport to Manhattan
Buses and minibuses operate every 15 to 30 minutes, generally between 6am and midnight.
Subway: Not recommended unless you are adventurous. Can be a difficult and long journey.

Useful numbers	Newark
General information:	(973) 961-6000
Olympia Airport Express:	(212) 964-6233
Gray Line shuttle minibus:	(212) 315-3006
New Jersey Transit:	(201) 762-5100
New York Helicopter:	(800) 645-3494

	LaGuardia	JFK
General information:	(718) 533-3400	(728) 244-4444
Parking information:	(718) 533-3840	
Ground transit:	(800) 247-7433	
Carey Bus Service:	(718) 706-9658	(718) 706-9658
Gray Line shuttle minibus:	(800) 451-0455	(212) 315-3006
New York Helicopter:	(800) 645-3494	(800) 645-3494
Delta Water Shuttle:	(800) 543-7779	

LONDON by Michael Skapinker

Shame about the terminus

For years travellers to and from London's Heathrow airport have had a choice – fume in a taxi as it crawls through the city's jammed streets, or sit sullenly in an Underground train as it crawls through interminable suburban stations.

The prospect of taking the Tube was made even less enticing by the national disgrace which is the shabby London Underground ticket hall serving three of Heathrow's terminals.

This year BAA, which owns Heathrow, has added a third option, which is a great improvement on both the taxi and the Tube. The Heathrow Express rail service is a fast, 15-minute journey into town on specially-built modern trains.

BAA spent £450m on the Heathrow Express as part of its promise to reduce the volume of road traffic to and from the airport.

The service, which runs four times an hour, starts from its own station at Heathrow. The station's clean, slightly austere design is a vast improvement on the Tube.

The interiors of the trains are luxurious and are certainly far more comfortable than the aircraft the passengers have either just got off or are about to board. The seats are comfortable, there are large luggage racks and television sets in each carriage show BBC news broadcasts.

The journey is not cheap – £10 for a one-way ticket, although BAA is now beginning to address itself to families and holidaymakers and not just the business traveller.

Heathrow Express is now offering special fares, such as free travel for accompanied children, during the school holidays. It also plans to try to attract holidaymakers carrying skis.

For some a disadvantage of the Heathrow Express is its London destination, Paddington station. Apart from those who live in the area, this is not a particularly convenient stopping-off point.

It is not within walking distance of the city's West End hotels and is a frustrating taxi or Tube journey away from the City of London.

BAA has tried to improve matters by launching a new coach service, Hotel Express, which carries passengers from Paddington to Oxford Street and hotels in the Marble Arch area.

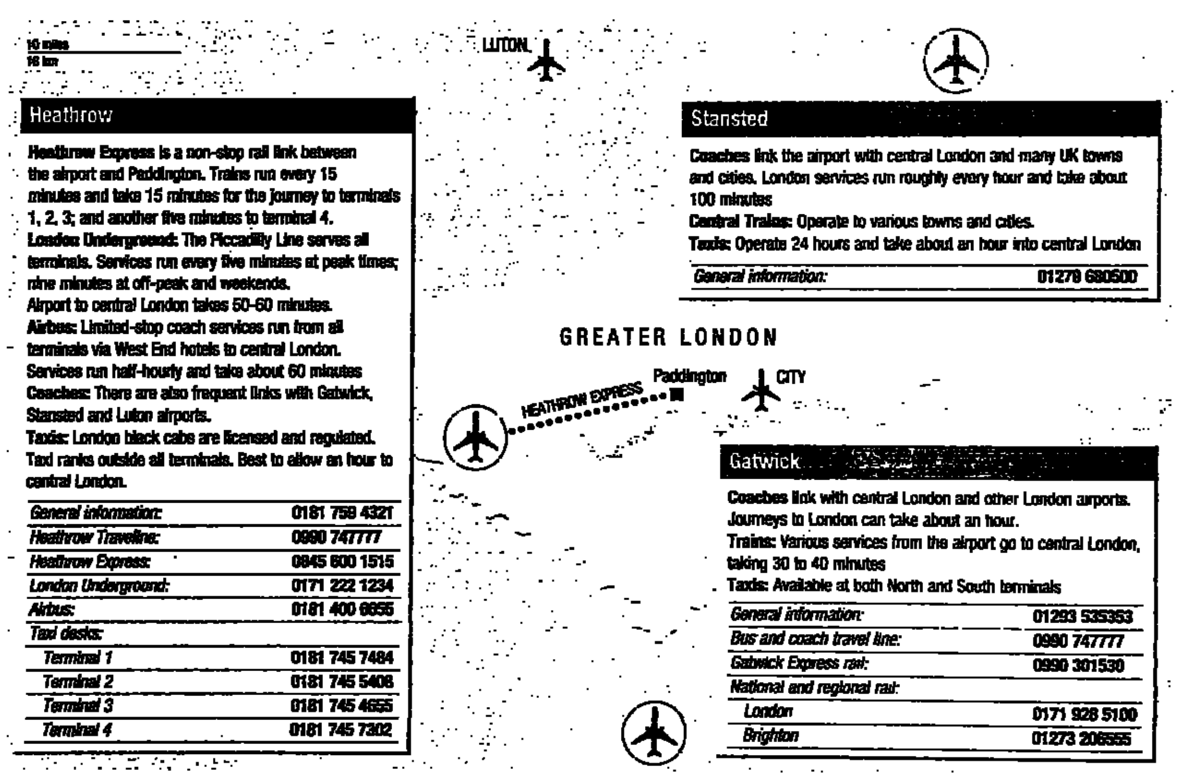
What do Heathrow Express travellers think of the service so far? BAA says the train is being used by more than 10,000 people a day. This is below its target and it wants to increase passenger numbers to 13,000 a day by the end of this year.

BAA plans to increase the train's attraction by opening 27 airline luggage check-in desks at Paddington station next summer. These will be operated by nine airlines, allowing passengers to check in their luggage and receive their seat allocations before boarding the train.

BAA is talking to airlines such as British Airways about issuing integrated tickets for both Heathrow Express and air travel.

The biggest improvement, however, will be when BAA extends the service to the more central St Pancras station, near King Cross.

BAA says it does not expect to run Heathrow Express trains to St Pancras until 2001, and even then they will only operate every half hour. Only in 2005 will the St Pancras service run every 15 minutes.



Heathrow

Heathrow Express is a non-stop rail link between the airport and Paddington. Trains run every 15 minutes and take 15 minutes for the journey to terminals 1, 2, 3; and another five minutes to terminal 4.
London Underground: The Piccadilly Line serves all terminals. Services run every five minutes at peak times; nine minutes at off-peak and weekends. Airport to central London takes 50-60 minutes.
Airbus: Limited-stop coach services run from all terminals via West End hotels to central London. Services run half-hourly and take about 60 minutes
Coaches: There are also frequent links with Gatwick, Stansted and Luton airports.
Taxis: London black cabs are licensed and regulated. Taxi ranks outside all terminals. Best to allow an hour to central London.

General information:	0181 759 4321
Heathrow Travelline:	0990 747777
Heathrow Express:	0845 600 1515
London Underground:	0171 222 1234
Airbus:	0181 400 6655
Taxi desks:	
Terminal 1	0181 745 7484
Terminal 2	0181 745 5408
Terminal 3	0181 745 4655
Terminal 4	0181 745 7302

Stansted

Coaches link the airport with central London and many UK towns and cities. London services run roughly every hour and take about 100 minutes
Central Trains: Operate to various towns and cities.
Taxis: Operate 24 hours and take about an hour into central London

General information:	01279 680500

Gatwick

Coaches link with central London and other London airports. Journeys to London can take about an hour.
Trains: Various services from the airport go to central London, taking 30 to 40 minutes
Taxis: Available at both North and South terminals

General information:	01293 535353
Bus and coach travel line:	0990 747777
Gatwick Express rail:	0990 301530
National and regional rail:	
London	0171 928 5100
Brighton	01273 206555

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PASSENGER COMFORTS by Roger Bray

Soon you may be sleeping in comfort

Airlines and aircraft manufacturers are increasingly aware that travellers require a greater degree of pampering on board

A comfortable flight, for millions of regular travellers, is a contradiction in terms.

Even those lucky enough to enjoy the extra leg and elbow room of first and business class must endure noisy cabins and fractured sleep, while, for the less fortunate, spending 10 hours in a crowded cabin, with a neighbour whose head lolls onto your shoulder when he sleeps, can seem like purgatory.

Take heart. Airlines and aircraft manufacturers are striving ceaselessly to ease the pain. Current or planned improvements include beds on long-haul journeys, seat design borrowed from the world of motor racing, partitions to allow passengers greater privacy, noise cancellation technology to ensure a quieter night's rest – and an amenity kit containing "Sleep Enhancer Spray" to help you nod off.

On the newest jets, refinements in economy cabins, where 46 per cent of long-haul business travellers fly, refinements previously limited to business class are beginning to compensate for lack of leg room.

It may not always seem that way, but the industry is acutely aware that it cannot take the tolerance of its customers for granted.

Research shows that high-fare business passengers on short flights are prepared to put up with cramped conditions, and that, as a factor determining choice of carrier, seat comfort comes some way below convenient schedules, competitive fares and even the airline's reputation for service. But they are also the most likely to abandon flying in favour of video-conferencing. The greater the distance, it seems, the more executives prefer face to face meetings, though there is no guarantee that it will always be so.

For long-haul travellers, physical discomfort is the greatest deterrent. It bothers them more than the risk of losing their luggage, suffering jet lag, or being 'bumped off' an overbooked flight.

The need to improve comfort has intensified with the imminent advent of ultra-long-range jets, capable of flying non-stop for up to 15 hours, for example, and with the promise of very large aircraft, carrying more than 550 passengers in a standard, class lay-out.

Airbus Industrie is already offering to fit beds beneath the passenger cabins of its long-range A340s, and is asking potential customers what kind of innovations they would like to see aboard the very large A3XX, which should enter airline service in 2004.

The manufacturer is also studying ways of providing passengers with more seclusion, something British Airways has done already by installing partitions to cocoon first class passengers.

As part of its recently-unveiled business class revamp, Singapore Airlines is fitting retractable partitions at head level between its seats. Lufthansa, in contrast, believes its high-fare payers would rather talk to their fellow-travellers.

Lars Krwplin, its director of cabin interiors and in-flight entertainment, says that when the airline conducted a survey among top level members of its frequent flyer scheme "they said they did not want to sit in isolation because flying is not just business but offers the chance of meeting another very successful person who inspires them".

This has not deterred Lufthansa from providing noise cancellation headphones in first class, however. United Airlines has also begun installing them in first and business class. Passengers select an audio channel which blocks out ambient noise. The system picks up low-frequency background sound on two microphones in the headphones. The unwanted sound is then fed to an electronic controller, where an "anti-noise wave" is generated. This is combined with the original noise in order to cancel it.

Alternative technology avoids the need even to wear headphones. UK-based Ultra Electronics Holding produces a system which is integrated into a seat. It already supplies such technology for turboprop business aircraft and regional airliners and is developing one aimed at larger jets, which it hopes to be able to sell for under $1,000 per seat.

What passengers want above all is greater seat comfort. Alison Maxwell, brand manager for British Airways business class, Club World, claims passengers have given the airline's new "cradle seat" a huge vote of approval.

"Previously, airlines thought only in terms of dimensions – how wide and how much leg room," says Ms Maxwell. "The new seat was ergonomically designed so that when you recline your seat it lifts the legs up, rather than putting extra pressure on the base of your spine. Now we are looking at new head-rests which would provide more support for a reclining passenger and new seat foams sculpted by a chiropractor."

BA has just announced it is to install "ergonomic seats" with more leg room in economy, too. Swissair has already extended the principle to the back cabin. Economy class seats on its new Airbus A330s adjust automatically to support the passenger's back when reclined. They also have adjustable head-rests.

Economy passengers may also benefit from motor racing expertise. Reynard Motor Sports, successful designers of Indy cars and the company behind the new Formula One team British American Racing, has set up an aviation arm which is developing a new lightweight sleeper seat for Virgin Atlantic's Upper Class passengers.

Upper Class offers broadly the same leg room as the new wave of hybrid business-first cabins. That is still not enough to accommodate beds which recline flat, however, which have been limited to first class. Just how Reynard Aviation has surmounted this problem remains secret, but John Sanders, business development director, says its seat will turn into a bed without encroaching on the space of the passenger behind.

The company also envisages launching an economy seat which would be less bulky and would allow the passenger more space.

Touches of extra comfort do not always demand ripping out interiors and starting again, however. KLM has introduced business class reading lights which passengers can manoeuvre into the optimum position. Lufthansa has come up with drinks holders and small cocktail tables to allow customers more room until the main meal is served.

First class passengers with British Airways now find "Sleep Enhancer Spray" in their amenity kits, and the airline has been toying with the idea of going a stage further – offering premium fare passengers teddy bears scented with lavender which, says Ms Maxwell, would have the same soporific effect. Just how hardened business passengers would react to this is unclear.

First class comfort and entertainment in a Gulf Air Airbus A340 (above) and (below) a mock-up of an A340 sleeping compartment option

Seminars a highlight of travel exhibition

A number of hot topics are being included in seminars and master classes at the Business Travel 99 exhibition to be held in London in February.

A total of 21 sessions are planned for the seminar programme. New ones include "A buyer's guide to airline alliances"; "The impact of the euro on business travel"; Millennium bug - the facts"; and "Is air travel a commodity?"

Technology, which is playing an increasingly influential part in business travel, will also be covered. Seminars will investigate the benefits of self-booking and the effects of new software on travel management.

A series of master classes has been organised for senior secretaries. These will include travel booking, as well as a beginner's guide to arranging travel.

The exhibition, the fifth to be organised for business travel managers, buyers and arrangers, will take place at The Business Design Centre at Islington Green, north London, between February 9 and 11. The Financial Times is a co-arranger.

Among the 150 exhibitors from the airline, hotel, car rental, rail, ferry and business management sectors expected to attend are American Express, British Airways, British Midland, BTI UK Hogg Robinson, ITT Sheraton, Marriott, Rosenbluth International, Alitalia, Avis, Cathay Pacific, Hertz and Sabre Europe.

Alastair Spurr, exhibition director, says: "With the advent of the euro there will be clearer pricing transparency across member-states. European countries will be even more determined to achieve better economies of scale.

"For their third-largest controllable expenditure – business travel – the solution lies in negotiating pan-European travel deals."

The Business Travel 99 telephone hotline is +44 (0)181 710 2185.

PROFILE
SAS

Scandinavians wake up to a bright new image

Redesign is seen as a commitment to customer service

Why do airlines bother to redesign their aircraft? The cost is enormous and controversy usually ensues. British Airways is still attracting criticism for a new livery which it introduced over a year ago.

The reason, airlines say, is that a new livery is part of a greater change and a way for the company to dedicate itself to new goals. In BA's case, its new tailfin designs by artists from around the world, were a way of saying it was no longer just a British company. Two-thirds of its passengers come from outside the UK, and BA wanted to demonstrate that it had become an airline of the world.

BA says most of the criticism of its redesign has come from older passengers in the UK, who objected to the dropping of the section of the Union Flag which used to appear on the tails. Foreign customers are enthusiastic.

A second European carrier to change its livery in recent months was Scandinavian Airlines System. Once again, says Jan Stenberg, its chief executive, this was part of a wider change. "I think it has to go hand in hand with a new approach in the company. If you present it as something new and nothing changes the passenger soon perceives there is nothing behind it except a new colour."

Unlike BA, SAS is not trying to present itself as a world airline. About two-thirds of SAS passengers are Scandinavian. Its new livery, an off-white fuselage and bright red engines, is intended to be determinedly Scandinavian. "This is an SAS for the 21st century. It's the greatest change in the past 15 years," Mr Stenberg says.

But the airline's mission remains unchanged. "It is to provide Scandinavians with easy access to the world and make Scandinavia accessible to the world," he says.

Then why make the change at all? "SAS was getting tired," Mr Stenberg says. Under Jan Carlzon, chief executive from 1981 until 1993, SAS experienced a revival. But the airline then went through a difficult period. A plan to merge with KLM of the Netherlands, Swissair and Austrian Airlines – the Alcazar project – collapsed.

Mr Stenberg, who joined SAS from Ericsson, the Swedishtelecommunications group, in 1994, says: "Jan Carlzon did a tremendous amount at the company at that time. But there was not a natural continuation of that. There was the mistaken strategic programme of Alcazar. People were told it was necessary for the survival of the company. When it didn't happen, people said: 'So what are we going to do now?' They were disorientated and tired."

The redesign was part of a renewed commitment to customer service and to a fulfilled workforce. The last few years have seen substantial change in the airline industry, Mr Stenberg says. The industry in Europe has been deregulated. Low-cost airlines are taking business away from established carriers. "Flying today is not a luxury, it's part of everyday life. To stay on top, we have to win our customers back every day."

The airline began to renew its fleet, ordering 55 Boeing 737s with options on a further 40. Eight of the new aircraft will enter service this year, with deliveries to be completed in the summer of 2002.

Starting in 1996, SAS began intensive research, not only into what its passengers wanted but how they behaved. "These were anthropological studies," says Jan Olson, SAS's vice-president for products and services. To find out what its customers wanted, SAS carried out extensive market research. The airline also video-taped its customers.

"We video-taped them in arrivals, at check-in and on-board. We informed customers on a particular flight we would be studying them. We collected 1,500 hours of videotape." SAS calls the tapes "probably the most comprehensive database of customer observations ever compiled in the airline industry".

And what did the tapes reveal? "That we weren't making the journey very easy for our customers," Mr Olson says. The airline made several changes in the way it handled passengers to make their journeys easier.

For example, business class passengers are now given access to a café at the departure gate before boarding short-haul flights. They can either eat food, fruit and beverages there, or they can pack a paper bag to take on the flight. Questions to customers about what bothered them about traditional aircraft led to a decision to put windows in the toilets, providing a view out of the aircraft.

Mr Stenberg also wants to see continued improvements in customer service, which, he said, had slipped some years back. SAS wants to use its new livery to indicate a fresh start, relying on what are seen as Scandinavian virtues.

What are those virtues? "We want to look elegant, but maybe a little less formal than we have been. That's a trend in society as a whole," Mr Olson says.

Mr Olson says SAS also wants regular passengers to see changes in the aircraft during the year. It will change the dividers that separate different sections of the aircraft twice a year, with dark colours in the winter and light colours in the summer.

Other improvements introduced in the aircraft are a holder for spectacles in the seat pocket of the aircraft. The airline's new Boeing 737-600 aircraft will have power points for passengers to plug in their personal computers.

Mr Olson says these features were introduced not only because customers asked for them, but because the videos showed that they wanted greater control of their environment. When watching the videos, SAS researchers noticed that when passengers boarded the aircraft they marked out an office-type space for themselves. "The customers started to cocoon themselves. They put their briefcases down, they put their coats down, as if to say: 'Leave me this space.' You don't get this kind of information from focus groups."

Michael Skapinker

MEASURING ENVIRONMENTAL EFFICIENCIES by Sarah Murray

How green is your wallet?

Plenty of initiatives have been launched by the hotel industry. But for those paying for the rooms, assessment is not always easy

As hotel guests snuggle into the thick white towels in their bathrooms, they may be comforted to read the sign telling them that, by choosing not to have the towel washed every day, *they can help reduce use of* chemicals that harm the environment. They might not be so happy to find out that when the resort was constructed a couple of hundred locals were forced to move out of their homes to make way for the building.

Plenty of hotels are busy cutting down on energy bills and recycling rubbish, but with a plethora of individual programmes in operation – many of them run and monitored by the hotels themselves – it is hard for those outside the industry to measure what exactly is being achieved and how far environmental action is being taken.

"The evolution of the green movement has been on the basis of voluntary initiatives generated by groups in the industry that are aware of the problems," says Richard Dickenson, vice-president policy and communications at the World Travel and Tourism Council (WTTC). "And these have been rather sporadic."

What makes it even more *confusing is the fact that a* hotel is a consumer on a vast scale, using hundreds of businesses in dozens of sectors, from carpet manufacturers to detergent suppliers. Measuring how damaging their various products are is almost impossible.

For those within the industry, it is becoming easier to make sure the right thing is being done. Serena hotels, which operates properties in Tanzania, Kenya and Pakistan, used independent assessors to *make environmental impact* assessments before embarking on the construction of its tourist lodges. "We also used designs which we believe are natural and blend into the *environment," says Tigg* Beresford, managing director of Serena Tourism Promotion Services.

The International Hotels Environment Initiative's manuals provide hoteliers with check-lists of how to manage every aspect of a hotel's operations in an environmentally sound manner. The IHEI is now producing a list of questions buyers can ask their suppliers and is even embarking on a guide for hotel siting and design.

But for travel agents and business travel managers who want to make responsible decisions when booking hotel rooms for their clients or executives, few independently monitored rules or standards exist that are widely recognised.

Government regulations are generally a poor measure since, in countries where economic development takes precedence over preserving the environment, they are frequently overridden or can be ignored by those prepared to grease the palm of the planning officer responsible for enforcing them.

One example is Hanoi, the Vietnamese capital, which has perhaps the best collection of French colonial architecture anywhere. In spite of government rules limiting the height of buildings in the centre of the city, high-rise hotels have sprung up over the past two years, destroying its historic skyline.

In any case, says Patricia Barnett, director of Tourism Concern, "it is not usually a requirement of planning laws that social and environmental impact assessments be carried out".

Regulations fail: an historic street is ruined by a new privately-run mini-hotel in Hanoi Sarah Murray

The International Standards Organisation, which is responsible for standards of all types, has ISO 14000, an environmental management standard, but this is not industry-specific.

One bright spot in the confusing game of assessing the green values of a hotel is a scheme being launched by Green Globe. The organisation, the environmental arm of the WTTC, hands out what Dick Sisman, managing director of Green Globe, calls its "carrot of inducement" – a range of hotel awards for environmental good behaviour.

Green Globe is adding to this a certification system called the Green Globe Standard, based on Agenda 21 – the strategy launched in 1992 at the Rio de Janeiro Earth Summit. The standard measures hotels' performance in areas such as energy efficiency, waste management and water disposal.

What distinguished this programme from others is that certification is to be monitored by the SGS Group, the Geneva-based inspection and verification group. The first dozen certificates will be handed out at this month's World Travel Market in London.

While national schemes exist, such as Green Key in Denmark and Blue Angel in Germany, the Green Globe Standard is the first real attempt at a global measure of environmental action across the hotel industry.

Part of the reason such a standard has not emerged sooner may lie in the varying interest of consumers around the world. "The Germans and the Dutch tend to be more aware," says the WTTC's Mr Dickenson. "But the UK leisure industry is extremely price conscious. If consumers have to pay more for a hotel that's environmentally friendly they may go elsewhere."

Norman Gage, business travel development manager at the UK's National Association of Independent Travel Agents, says he has never heard of the Green Globe Award, which has been operating for about four years, and has had no requests from his members for any green standard for the hotel rooms they sell.

Nevertheless, travel departments in multinationals are starting to look for hotels that match their own environmental philosophies. Failing to find a satisfactory measure elsewhere, the Institute of Business Travel approached Tourism Concern, with whom it has created an environmental code of practice for travel buyers.

Since business travellers take up a huge chunk of the world's hotel rooms, growing corporate interest in finding ways of measuring environmental effectiveness may well prove a catalyst for change.

THE GREEN AGENDA by Elizabeth Robinson

Gains expected to outweigh costs

UN conference will scrutinise areas such as hotels' design as well as their recycling and purchasing policies

The hotel industry is moving *up a gear on environmental* action. This year's World Travel Market will have a day set aside for talks and debates on the subject, organised by the World Travel and Tourism Council, *the London-based group of* industry chief executives, and next April the issue of tourism and the environment will be addressed at a UN conference in New York.

The conference will review *the climate agenda set out at* the Rio Earth Summit in 1992, focusing in particular on tourism. The result will be a UN paper, declaration and action programmes.

Until recently the idea of environmentally-friendly travel was limited to small-scale eco-tours and piecemeal actions, but now the industry is setting out guidelines and standards on sustainable development. These can range from information about the cost-savings to be achieved from using renewable products to larger issues such as the conservation of scarce resources.

The WTTC, together with the World Tourism Organisation and the Earth Council, have set out an agenda to integrate and co-ordinate travel and tourism policies between governments and operators. Meanwhile, the International Hotels Environment Initiative (IHIE), which was set up five years ago by 12 of the leading hotel chains, helps to promote environmental man*agement across* the industry and supports Green Globe, a WTTC certification programme.

Geoffrey Lipman, WTTC president, is optimistic about the desire within the indus*try to address environmental* concerns. He says that the widespread growing awareness of green issues will filter through to travel and hotels. Already other industries are having to react by, *for example*, cutting harmful emissions.

"We will have to do all the things that mainstream industry is doing, says Mr Lipman, who cites the design of hotels and their recycling and purchasing policies as areas that will come under scrutiny.

The WTTC argues that the business traveller is key to the acceleration of the environmental agenda, but travelling executives will themselves benefit in the long run through reduced costs.

The business segment is important for the environmental agenda because the business traveller tends to spend more, with the spend spread throughout the whole season. Around one-fifth of tourism is business-related.

The large hotels are taking the lead on environmental management. Here the Green Globe certificate can give them a marketing tool. "The 'savvy' hotel company is going to want to build buildings and operations in such a way it can say 'We are a leading-edge environmental organisation'," says Mr Lipman. He admits that initial changes in policy might raise costs but says that the long-term gains will outweigh these. "Many of these initiatives are designed to reduce, renew and recycle. All these words mean lower costs."

The WTTC believes the consumer will increasingly care about such issues, and this will accelerate when the agenda starts to drive down costs. However, Starwood Hotels, the US operator of brands such as Sheraton and Westin and which was a founding member of the IHEI, is still experiencing varied demand.

Marriott is one group that feels it is a matter for each hotel's local management, and leaves its environmental programme optional

The WTTC is launching an environmental education programme at this year's WTM aimed at the travel agents who do the bookings, but there is as yet no co-ordinated campaign aimed at corporate travel departments.

The WTTC believes that the impetus driving the environmental agenda means it is imperative that tourism keeps its own house in order or eventually it will have to submit to regulation. Actions taken now it says, are not a cost but an investment.

PROFILE
INTL HOTELS ENVIRONMENT INITIATIVE

Target is to raise level of awareness in the industry

"Turn all lights out; switch television off; close windows." They seem simple enough instructions. But they are just part of an extensive check list of environmental measures designed to help a hotel achieve everything from energy savings to ensuring the building is free of asbestos.

The organisation behind what it calls its "Environmental Action Pack" is the International Hotels Environment Initiative, a network of hotel executives backed by the UK's Prince of Wales Business Leaders Forum. It was set up in 1992 to raise the industry's awareness of the need to be environmentally responsible.

Early on, the 10-member companies backing the IHEI *set their sights* on producing and publishing an environmental manual for the industry.

"The larger companies have technical services departments so we had the *in-house capacity* to provide that kind of investigation and documentation," says Bill Webster, vice-president of technical services at Inter-Continental Hotels and chairman of the IHEI's working committee.

Twelve months after it was established, the IHEI produced its Environmental Management Manual for Hotels, a weighty volume telling hoteliers how to set up and operate green practices throughout their properties. The manual stresses the cost savings to be gained through such practices.

"The *original* intention was to produce that document and then fold up the IHEI," says Mr Webster. "But other ideas were forthcoming and a lot of interest was shown so we kept it on."

The manual, however, had its critics among smaller hotels which were keen to clean up their operations but were put off by the complexity and cost – the manual sells for £100 – of this hefty tome. "They wanted more simple, practical tools," says Karen Fletcher, director of the IHEI.

The group responded by producing the action pack, a 64-page document containing simple checklists – to be ticked off by managers and staff – covering areas such as water usage, energy, solid waste, effluent and emissions.

Designed so that it can easily be photocopied, the document provides tips such as: "ensure full laundry/dishwasher loads," and facts such as: "a dripping tap can *waste up to 36,000 litres* of water each year, the equivalent of filling around 180 baths."

Ms Fletcher says the action pack has been a success. "It has been a big *seller," she says. "We've* been out of print a couple of times and its been translated into several languages."

Student packs, videos and directories followed. But success brought its own problems.

"We were getting requests from all over the world," says Ms Fletcher. "And the idea was to stay small and let the industry do the work. We needed a networking mechanism so that everything wasn't being funnelled through us."

The result was *Green Hotelier*, a monthly magazine covering environmental debates and providing updates on green developments within the industry. "Where possible, we give contact numbers and so now people are calling each other."

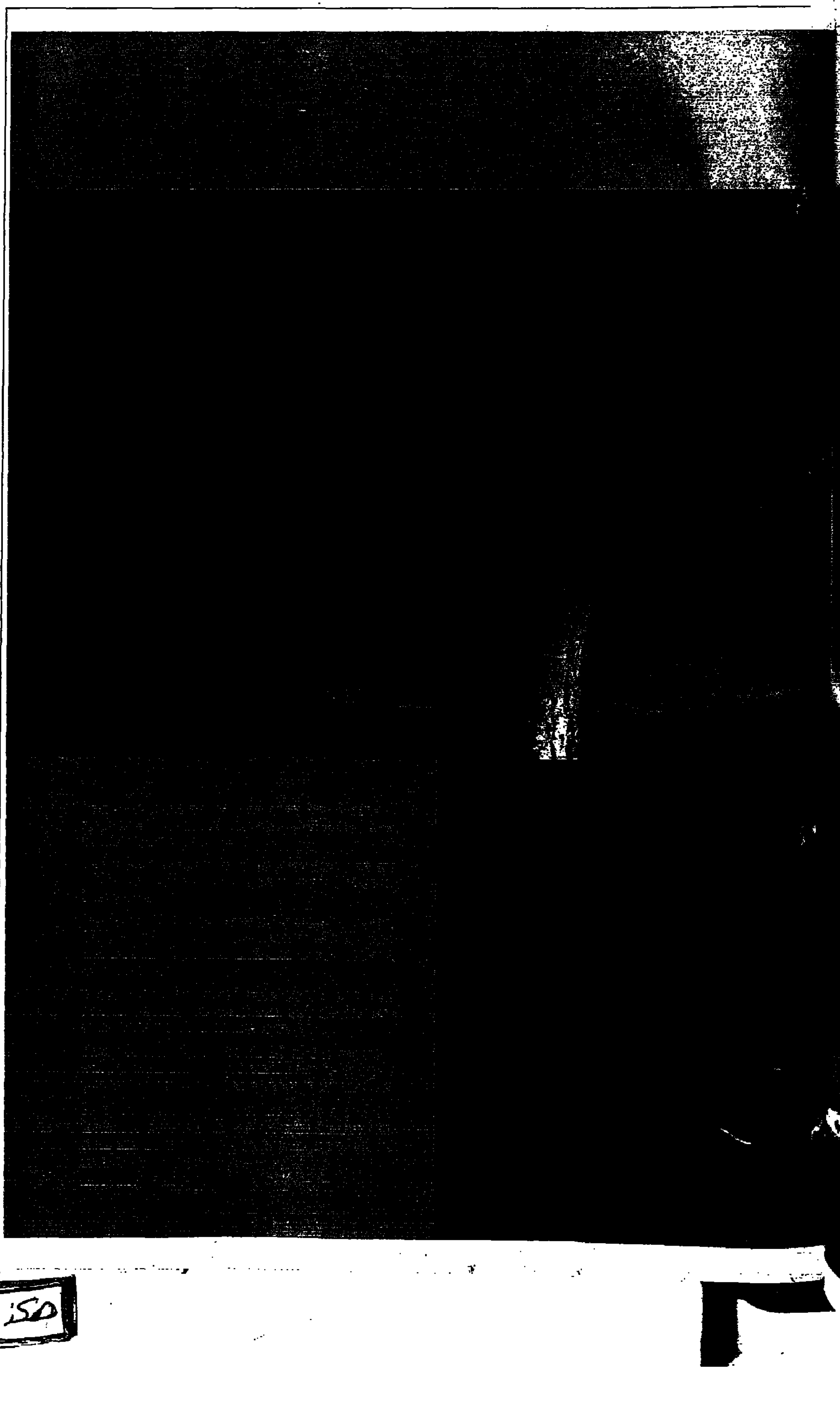
In the pipeline is a purchasing guide containing lists of questions buyers should ask their suppliers. Mr Webster takes carpets as an example. "Is the material of natural or man-made fibre? How is it going to be recycled? Does it give off any noxious gases? There are a lot of issues." He says that the guide is "a way of giving the purchasing manager information with which to make decisions on what to buy".

The IHEI's next project, however, is not so simple. The group is working on guidelines for the siting and design of hotels. This is a subject which generates intense debate as environmental groups argue that, however green a hotel's operations are, it may have disrupted the *environment and displaced* local inhabitants by being there in the first place. "That's probably the trickiest issue," says Ms Fletcher. "How do you continue to have growth and not have *an environmental impact*? It's a bit of a paradox."

Nevertheless, she maintains that much can be done to minimise that impact. "The goal is to produce a manual that covers all sorts of things from the planning, land use, site selection and design to undertaking environmental impact assessment that looks at potential risks, such as sea pollution, as well as the impact on the community," she says.

After all, she argues, the industry depends on the quality of the environment to attract the customers that provide its business. "So it's not in our interest to take short cuts. You just cut off your nose to spite your face."

Sarah Murray



HOTEL GYMS by Marian Edmunds

Take care when keeping fit

An increasing number of hotels are now providing more sophisticated facilities for health-conscious visitors

Jogging alone along city streets can be daunting and foolhardy even close to home. And finding a partner for running, tennis or golf is not easy during a short business trip.

But there are signs that the loneliness of the fitness-conscious long-distance traveller may be easing as more hotels open gyms or form alliances with existing clubs.

Many travellers now prefer a hotel with its own gym or swimming pool, and some even send a checklist of specific requirements before making a reservation. "Does the gym carry a full set of Olympic weights?" read a fax from a prospective guest to The Peak, the health and fitness club at the Hyatt Carlton Tower Hotel in London.

Sometimes hotels receive requests for a treadmill and a set of weights in a guest's room Some hotel gyms will allow a treadmill or exercise bike but most draw the line at unsupervised use of weights.

Travellers, no matter how accustomed to working out at home, must take care, says Ian Beasley, a sports doctor and the team doctor for Chelsea football team in London and the British men's hockey team.

Mr Beasley believes that in order to exercise sensibly the traveller must allow his or her body time to adjust to jet-lag and perhaps a different climate.

He recommends pre-setting your watch to the time at your destination. "Walk about the cabin and stretch at regular intervals," he adds. "But most important of all is hydration, both on the flight and at the destination, particularly if you are moving in and out of air-conditioned rooms."

Even people who exercise regularly should complete only 10 minutes on a bike or treadmill on the first day, increasing to 15 minutes on the second day," says Mr Beasley. A full-length programme should not be resumed before day three.

"After a long flight, expectations should be reduced," says Jill Hendry, the chartered physiotherapist at Cannons Health Club in the City of London. "Swimming is good because it will reduce stress on the joints after a long period of being static."

David Banks, the Peak Club's health and fitness manager, says that while a light cardiovascular workout or a swim is good, a massage, aromatherapy or pampering such as a facial is the best form of relaxation.

A regular business traveller who also extols the benefits of massage is Lord Thurso, managing director of Fitness and Leisure Holdings which owns the Champneys group of health clubs and resorts, including the lavish Champneys Picadilly which has an agreement with the neighbouring Meridien Hotel.

While travelling he does a moderate workout followed by a steam bath and a massage.

Massage and body therapies rather than sweaty workouts are the main focus at The Metropolitan, a London hotel designed for the media, music, movie and modelling sets. At first, the treatment room hours clashed with the guests' evening work schedules but now treatments are available both late at night and in guest rooms.

In case of doubt, seek suprvision in the gym

So how can hotel gyms provide what the business traveller wants? Most are sustained by the corporate membership schemes or regular members who expect high-quality equipment and a certain level of supervision.

Travellers are advised to seek the same high standards but should make basic safety checks. "Make sure that heavy equipment is stored safely," says Jill Hendry of Cannons.

"On multi-gym equipment, make sure that pulley ropes and straps are not fraying, and that pins to fix the weights are secure," says Ian Beasley.

If the instructions on a machine are in an unfamiliar language seek the advice of a qualified instructor. "On bikes, treadmills and step machines, follow a manual programme where you can adjust the speed and difficulty," says Mr Beasley.

Mr Beasley does not discourage people who do not belong to gyms from sampling a club while on their travels, but he advises caution. "Don't go mad. Men, particularly, tend to imagine they are as fit as they were 10 years ago."

"Most guests arrive knowing which machines they need to follow their programme," says Emma Bellamy, club manager at the Apsley Health Club in the Hyde Park Inter-Continental Hotel in London, "but many need guidance or simply want you to be there."

Guidance is taken several steps further these days with teams of personal trainers on stand-by at many hotel gyms. Personal training sessions or massage and other treatments at the Apsley often are booked by wives of American businessmen who are working in London for days or weeks at a stretch.

Is catering to health-conscious guests lucrative for hotels? According to Lord Thurso, hoteliers like to offer health and fitness facilities to guests. But the location of gym, be it in hotel or an office block, will be irrelevant to the success of the gym.

"A health club can add 10 percentage points to a hotel's performance, but while 90 per cent of clients may prefer a hotel with a pool or health club, only 10 per cent are likely to use the facilities."

Hotels which plug into the facilities and expertise offered by established health clubs provide guests with something superior to what a hotel alone could offer. Long gone are the days when a back room with an odd collection of machines will pass muster.

EVENTS

DECEMBER

Date	Event	Venue	Contact
Dec 1	Strategy as revolution conference	London	+44 (0)171 637 4348
Dec 1-2	Gas condensate fields conference	London	+44 (0)171 637 4348
Dec 1-2	FT world telecommunications conference	London	+44 (0)171 896 2626
Dec 1-2	Offshore installations conference	London	+44 (0)1372 367029
Dec 1-2	IT marketing conference	London	+44 (0)181 742 2828
Dec 1-4	Immunology congress	Harrogate	+44 (0)181 875 2400
Dec 1-5	IT conference & exhibitions	St Petersburg	+7 812 1122881
Dec 2	Reforming community care conference	London	+44 (0)171 637 4348
Dec 2	Risk analysis & management for medical devices	London	+44 (0)171 637 4348
Dec 2	Collateralisation conference	London	+44 (0)171 637 4348
Dec 2-3	Nuclear congress	London	+44 (0)171 665 2312
Dec 2-3	Global electricity summit	London	+44 (0)171 637 4348
Dec 2-3	Creditor insolvency conference	London	+44 (0)171 637 4348
Dec 2-3	Project management conference	London	+44 (0)181 661 7008
Dec 2-4	Call centres congress	London	+44 (0)171 637 4348
Dec 2-5	Robot applications & automation trade fair	Frankfurt	+49 69 75 75 0
Dec 3	PMI pension fund investment seminar	London	+44 (0)171 247 1452
Dec 3	Liquidity & collateral management conference	London	+44 (0)171 637 4348
Dec 3	Structuring tax efficient joint ventures	London	+44(0)171 637 4348
Dec 3-4	Global offshore funds conference	London	+44 (0)171 637 4348
Dec 3-4	Banking conference	London	+32 2 543 2100
Dec 3-4	Measuring marketing success, conference	London	+44 (0)181 742 2828
Dec 3-5	International investors' fair	Dusseldorf	+49 211 4 60 01
Dec 3-4	Global automotive conference	Brussels	+32 2 2 543 2100
Dec 4-5	SW German anaesthesia conference	Karlsruhe	+49 721 3720 0
Dec 4-6	International minerals exhibition	Hamburg	+49 40 35 69 2415
Dec 4-14	Marine industry show	Paris	+33 1 41 90 48 76
Dec 7-8	FT world pulp and paper conference	London	+44 (0)171 896 2626
Dec 7-8	Consultancy skills	Birmingham (UK)	+44 (0)121 233 9300
Dec 7-8	PFI: from theory to practice	London	+44 (0)171 242 4141
Dec 7-8	Offshore industry environmental standards conference	Aberdeen	+44 (171) 637 4348
Dec 7-11	International electricity automation exhibition	Paris	+33 1 4828 0840
Dec 8	Management of solicitors' costs conference	London	+44 (0)171 637 4348
Dec 8	Real time computer and embedded systems	Athens	+ 31 418 51 29 99
Dec 8	Business under a single currency conference	London	+44 (0)171 730 0022
Dec 8	Unfair competition conference	Brussels	+44 (0)171 637 4348
Dec 8-9	Ship arrest forum	London	+44 (0)171 637 4348
Dec 8-9	Scottish passenger agents travel exhibition	Glasgow	+44 (0)1786 8800255
Dec 8-9	Pension needs of multinationals conference	Krasnapolsky (Neth)	+44 (0)171 637 4348
Dec 8-9	M&A in global oil and gas conference	London	+44 (0)171 637 4348
Dec 8-9	Plant information management conference	The Hague	+44 (0)1252 878482
Dec 8-10	Tunnelling and excavation exhibition	Basel	+44 (0)171 486 1951
Dec 8-12	Engineering and machine tools exhibition	Kiev	+44 (0)181 761 6311
Dec 9	Pricing in Europe conference	Brussels	+44 (0)171 637 4348
Dec 9-11	Satellite navigation and safety	London	+44 (0)171 591 3130
Dec 10	IT in the National Health Service	London	+44 (0)171 637 4348
Dec 11-13	Motor show	Helsinki	+358 9 15091
Dec 14-16	International partial discharge conference	Edinburgh	+44 (0)171 344 5478
Dec 21-23	Sonar signal processing conference	Weymouth	+44 (0)1727 848 195

JANUARY

Date	Event	Venue	Contact
Jan 7-8	Aerodynamics research forum	London	+44 (0)171 499 351
Jan 8-17	International boat show	London	+44 (0)1784 473377
Jan 12-17	Tourism and recreation exhibition	Utrecht	+31 30 295 59 11
Jan 15	PMI educational seminar	London	+44 (0)171 247 1452
Jan 15	Community trademark conference	London	+44 (0)171 637 4348
Jan 18-23	International consumer goods exhibition	Moscow	+7 812 1122881
Jan 19	Disaster recovery conference	London	+44 (0)171 242 4141
Jan 19	Personal pensions conference	London	+44 (0)171 637 4348
Jan 20-22	Communications and creation show	Paris	+33 1 41 40 41 40
Jan 22	Pensions for high earners conference	London	+44 (0)171 637 4348
Jan 23-27	International catering, hotel and food trade fair	Lyon	+33 72 22 33 44
Jan 25-26	Stakeholder pensions conference	London	+44 (0)171 637 4348
Jan 26	Local authority claims conference	London	+44 (0)171 637 4348
Jan 26-29	International construction fair	Poznan	+48 61 69 25 92
Jan 26-28	Business World travel exhibition	London	+44 (0)171 470 6444
Jan 27	Impact of strategic defence review conference	London	+44 (0)171 499 3515
Jan 27-28	Energy, safety, security and handling conference	Sheffield	+44 (0)1296 434381
Jan 28	PMI pension scheme documentation seminar	London	+44 (0)171 247 1452

FEBRUARY

Date	Event	Venue	Contact
Feb 4	Legal services conference	Paris	+44 (0)171 830 1000
Feb 6	Functional language in the classroom	Glasgow	+44 (0)1827 311500
Feb 7-9	Graduate recruitment fair	London	+44 (0)1823 433933
Feb 9-11	Business travel exhibition	London	+44 (0)171 287 5678
Feb 16	PMI financing pension schemes seminar	London	+44 (0)171 247v 145
Feb 17	Multiskilling in support services	London	+44 (0)171 242 4141
Feb 18-24	Television festival	Monaco	+33 93 10 40 60
Feb 23-25	Smart card exhibition	London	+44 (0)1895 454545
Feb 24-25	Measurement technology exhibition	Essen	+49 5033 7057

MARCH

Date	Event	Venue	Contact
Mar 2	RAe airworthiness review of JAR 145 report	London	+44 (0)171 499 3515
Mar 2-3	Meetings and events exhibition	London	+44 (0)181 742 2828
Mar 2-5	Professional electronics fair	Helsinki	+358 9 15091
Mar 3-4	Software for solicitors exhibition	Bristol	+44 (0)181 742 3399
Mar 6-10	International tourism exchange	Berlin	+49 30 30380
Mar 9-10	Home delivery conference	London	+44 (0)1494 678000
Mar 11	PMI conference	London	+44 (0)171 247 145
Mar 16-18	Bulk storage and transport fair	Netherlands	+31 20 515 92 92
Mar 16-19	International healthcare exhibition	Netherlands	+31 30 295 59 11
Mar 16-19	European business information conference	Dublin	+44 (0)171 251 5522
Mar 17-18	Energy, safety and handling exhibition	Guernsey	+44 (0)1296 434381
Mar 24-26	Measurement technology exhibition	Chemnitz	+49 5033 7057
Mar 24-25	British travel trade fair	Birmingham (UK)	+44 (0)181 910 7873
Mar 24-26	Risk management exhibition	Brussels	+39 3 354 08 80
Mar 24-26	European electrochemical engineering symposium	Exeter	+44 (0)171 235 3681
Mar 29-31	Separations for biotechnology conference	Reading	+44 (0)171 235 3681

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If your business trip spans a weekend you might have the opportunity to explore some of the pleasures of your host country. Here FT correspondents offer some suggestions

IRELAND by Kieran Cooke

It's so easy to get hooked . . .

Flyfishing should be elegant and effortless. Well, that's one of the first lessons of theory waiting for the novice angler

The wind blew down the valley in great whooshing gusts. Hailstones lashed at my cheeks. I was standing waist deep in the middle of a river in spate in the west of Ireland. The flyfishing line had become entangled round a thick gorse bush. Panic set in when I realised my waders were shipping water.

A passing farmer saved the day, pulling me to safety with the aid of a pitchfork. Another day of living dangerously and not one fish to take home. It was then I decided – musing over a hot whiskey as limbs slowly came back to life and steam rose from socks in front of a roaring fire – to take a flyfishing course. It was the only way I would ever hook a salmon.

In the mid 1980s Peter Mantle paid I£200,000 for a derelict fishing lodge, three lakes, one-and-a-half- miles of river and 600 acres of land on the fringes of Connemara in County Galway. Delphi Lodge, once the sporting base of the Marquis of Sligo, is now one of the premier fishing centres in Ireland.

Delphi runs flyfishing courses through most of the February to September fishing season. Novices nervously arrive on a Thursday evening: they depart on Sunday, ready to do battle with any sprightly salmon or trout that happens along.

"Flyfishing should be elegant and effortless," says Mr Mantle. "It's not easy, but we've never had a hopeless case. People fall in love with the beauty and rythmn of it all."

Courses at Delphi are limited to no more than eight at one time. Peter O'Reilly, one of Ireland's leading exponents of the art of flyfishing and author of several books on the subject, is in charge.

First, there is a session in the library, complete with diagrams and flip charts. "Theory is vital," says Mr O'Reilly. "People need to know why they have to cast in a certain way. They have to try and understand the ways of the fish. They also need to know the tools of the trade – how to match rod, line and reel and which flies to use."

Then it's out onto the large lawn, cradled between the hills of the Delphi valley, to begin the serious business of casting. Little pieces of wool are tied to the end of the line instead of flies. Fly hooks, used wrongly, can be dangerous. I once launched my hat into the far distance. An ear still bears the scar of an over-hasty cast.

"Good fly presentation is what it's all about," says Mr O'Reilly. "It's not strength you need but delicacy."

His voice has a soft, Irish borderlands burr about it, gentle as a well-cast line falling on the water. Flyfishing is like ikebana, continually striving for perfection.

After half-an-hour, my arm is aching. It's a bad sign. A poor golfer tires far more quickly than a good one. So it is with flyfishing. We break for a hearty lunch.

"People make jokes about learning to fish on the lawn," says Mr O'Reilly. "Yet it's vital to master the technique before you go on the water. If not, the whole business is very frustrating."

Over the next 48 hours we learn a dazzling array of casts – the overhead, the side, the backhand and the slack line. If I never catch another fish at least my tennis will be better.

Casting into the wind, particularly in the west of Ireland where the trees are bent horizontal from the harsh Atlantic breezes, needs a great deal of concentration.

At dinner, a mighty four-course affair accompanied with lashings of wine, I discovered I had a blister on my thumb. Obviously a sign of bad line usage.

Starting with the basics: David McEvoy (left) gives instruction to wannabe fly fisherman Kieran Cooke

Mr Mantle says flyfishing was once viewed as an elitist pastime but times have changed. "Flyfishing has become a lot more accessible in recent years. Lots of rivers and lakes have been stocked with trout. Flyfishing is no longer the preserve of the wealthy landlords and the tweed set.

"People of all backgrounds and ages come here to learn. One of our best students was a 10-year-old. More and more women are taking up the sport: often they are far better than the men – they seem to master the technique and delicacy of flyfishing quicker."

Before collapsing into bed I practise casting in front of the bathroom mirror. Bring up the rod slowly, then flick back, pause and tap forward. The line arcs out, gently kissing the water. A silver flash and a mighty salmon takes the fly. If only it was so easy.

After another session on the lawn we move to the river, then, on the final morning, the lough. There are different techniques for fishing from the bank and fishing from a boat. At least my rythmn is improving. "It's an addicition," says Mr O'Reilly. "Our biggest problem is stopping people working too hard. The enthusiasm is catching"

The fishing season is now closed. I am still practising. I have repaired my waders. Next February 1 I will be there, casting into the wind. Salmon, watch out.

THE UK by Michael Thompson-Noel

Here's a port to warm to

Picturesque it is not, but Bristol provides many glimpses of prosperous trading days

If you were to arrive in Bristol ignorant of its ancient or recent history, you would conclude that it was just another ugly British city, a monument to bad planning, bad architecture – especially bad 20th century architecture – and bad government.

And you would be right. But you would also see that Bristol, unlike many other British cities, is, thanks to its docks and the way it happens to have grown, relatively spacious.

As a result, the dereliction and ugliness are not particularly concentrated. Indeed, after a day or two you would warm to Bristol, which is the regional capital of south-western England.

Picturesque it is not, but it is one of Britain's most interesting and lively cities.

A little history helps. At many times in its past Bristol has been England's second city and one of its busiest ports. Trade with Europe and America encouraged Bristol's traditional industries of tobacco, chocolate and wine.

Throughout the centuries its greatest benefactors have been merchants and businessmen, such as Edward Colston, the Wills family and John James.

Bristol, says a city guidebook, has always been enterprising and pioneering. It was from Bristol that John Cabot set sail on the voyage that led to his discovery of the American mainland; in Bristol that Isambard Kingdom Brunel's SS Great Britain, the world's first iron-hulled, propeller-driven ship, was launched, and in Bristol that Concorde, the Anglo-French supersonic jet airliner, was built.

"This pioneering spirit," says the guidebook, "perhaps explains the unruly, free-ranging appearance of Bristol. The present-day city lacks a coherent centre and, though there is an abundance of historic buildings, there are few monumental public buildings."

Bristol has never been a capital city, never possessed an ancient university, and only for fleeting periods has it been any sort of fashion centre.

Yet for centuries it has thrived, and it thrives still, having become, in the past two decades, an important regional financial hub. Bristol recovered well from the recession of the early 1990s, and has high hopes of pulling itself up further.

One of its most impressive developments is the Harbourside project to install cultural, educational and entertainment facilities in and around the city's central docklands area, which has been semi-derelict since the 1960s. On paper, this is perhaps one of western Europe's most impressive schemes for urban revitalisation.

Even without the Harbourside scheme, there is already so much to do in Bristol that visitors need to be careful how they use their time. The official visitors' guide, *Bristol: A Different City*, is useful (it costs £1), and so is *Bristol First: City of Discovery, Invention and Enterprise*, by John Sansom (Redcliffe Press, £6.95).

What to see? A good idea would be to follow the maritime trail suggested in the visitors' guide, one of four trails whose details can be picked up from the information centre in St Nicholas Street, where the maritime walk starts. I followed it part of the way; the full circuit takes four-and-a-half hours.

At Redcliffe Walk you can take in the Matthew Visitor Centre and learn about Cabot's voyage from Bristol to Newfoundland in 1497, "discovering" America before Columbus. In turn, the Maritime Heritage Centre documents 1,000 years of shipbuilding in Bristol, from sail to diesel. Next door is the SS Great Britain, the largest ship in the world when built in the early 1840s.

Other attractions covered in some detail in *Bristol First* include the Exploratory Hands-on Science Centre at Brunel's original (1840) Temple Meads railway station; the evolving Empire & Commonwealth Museum, also at Temple Meads; the City Museum and Art Gallery, where you can buy modern examples of Bristol blue glass, from earrings to ships' decanters, which are attractive even if not quite matching the almost-violet hue of the original stuff; Clifton Suspension Bridge (the "wonder of the age" in the 1830s).

There's Harveys Wine Museum in Denmark Street, housed in 13th century cellars, where, it is said, you'll be offered a free glass of Harveys Bristol Cream sherry so long as you are more than 18 years of age; Royal York Crescent, said to be the longest crescent of terraced houses in Europe; the leafy suburb of Clifton, immortalised by Sir John Betjeman; the Theatre Royal (oldest working theatre in Britain); the Red Lodge; Bristol Zoo; the New Room, built by preacher John Wesley in 1739, later to become the first Methodist building in the world; and so on.

There are plenty of hotels. I stayed at the Hilton National, near the railway station, which is comfortable and unpretentious, though on another occasion I might have booked myself into The Grand, which is even more central and occupies a handsome building in Broad Street.

There are also plenty of restaurants. For a checklist of the good and the great, in Bristol and in surrounding counties, get a copy of the *1998 Guide To Good Food In The West Country*, edited by Tom Jaine.

BELGIUM by Elizabeth Robinson

Low-key nod to history

It is difficult to believe that so many men fought in such a small area at Waterloo

Europeans might already be trading in a single currency if it had not have been for torrential rain in a gently-ridged field just outside Brussels more than 180 years ago.

If it wasn't for the rain, most of Napoleon's agenda for Europe might have been achieved, including a single European currency. As it was, the French emperor's troops were hindered by the weather and he saw his dreams for a unified Europe die, along with more than 40,000 men, in a field near a village called Waterloo.

Brussels today teems with European institutions, departments and bureaucrats with all the resultant politiking and wrangling, but today's visitor to the little city can still visit the field where a more fundamental and bloody conflict took place on a Sunday afternoon in June 1815.

Just 18km south of Brussels, a short journey by car or train, lies Waterloo, now practically a suburb, with low-rise Low Countries architecture and modern boutiques and restaurants.

The town manages a discreet nod towards its historical significance, with a low-key museum in the centre. This former coach house was where Wellington set up his headquarters for the battle and contains rooms of letters and armoury, and it was from here that the British commander wrote his victory dispatch. A display at the back explains the build-up to the battle, including a description of the eve when the Duchess of Richmond held a society ball in Brussels.

Opposite the museum is the domed church of St Joseph and it is sobering to step inside and read the plaques that can only hint at the scale of the human losses. On a Saturday it is a popular spot for weddings – on the battle day it served as a hospital and morgue.

The main battlefield where the Allied forces met Napoleon's army is exceptionally well preserved. A few kilometres outside the town its undulating landscape covers a surprisingly small area.

It is difficult to believe that a space only three miles wide and one-and-a-half-miles long contained some 140,000 men in bitter conflict, and the numbers swelled by a further 52,000 later in the day when the Prussians, under Blücher, rode to the Allied rescue.

On the day itself the ground was sodden from several days of torrential rain, but today's visitor can sample the Waterloo experience without stepping outside.

The visitor's centre presents an audio-visual description of the events with slides and a lightshow tracing the troops' movements and key stages of the fighting. A short film attempts to convey some of the action and horror, drawing heavily on the 1970 epic movie of the same name. Nearby stands an ornate rotunda, within which is a 360-degree panorama painting of how the battle would have looked from that point – a 19th century precursor to Imax cinema or virtual reality.

Also at the site is a waxworks museum, depicting the uniform and characters of the event. The old-fashioned air of the rotunda and waxworks reflect how Waterloo has been seen by sightseers almost since the moment the smoke cleared.

The finest view of today's scene is from the top of the massive Butte du Lion – a conical mound some 125ft high which is crowned with a victory lion. The butte was raised by the Dutch to mark the spot where the Prince of Orange was wounded in the shoulder – a remarkable concept given the numbers who died, especially as the prince himself said he was hurt "only slightly".

The building of the mound 10 years after the battle required moving huge amounts of soil and therefore softened the contours of the battlefield, but it is still possible to survey ridges, ditches and key buildings that were to prove essential to the Allied victory over Napoleon.

The important areas of the battle remain intact. The main ground is now farmland, but the buildings, the names of which echo in schoolboy memoriews, such as the Chateau of Hougoumont and l'Haie Sante, still stand. To see their situation is to appreciate how essential they were to the Allied victory.

The short walk down an agricultural path to Hougoumont follows the slightest of ridges, behind which Wellington's men flattened themselves to the surprise of the oncoming French cavalry, some 5,000 horses abreast on one charge. A few headstones still stand to mark some individual victims of the carnage. The destruction of that day obviously still moves people – on the day I visited someone had left a rose on the headstone marking Lieutenant Augustin Demulder, a 30-year-old from nearby Nivelles.

Every five years the battle of Waterloo is "fought" again, with 2,000 to 3,000 enthusiasts dressed in replica uniforms re-enacting the events of the day. The next is to be held in June 2000.

Throughout the museum and visitor centre exhibits it is the image of Napoleon that dominates, to the extent that it almost appears that he was the victor on June 18 1815. But then, as European countries today take steps towards unity, perhaps the charismatic French leader and his visions for Europe did conquer after all.

The Battle of Waterloo is re-enacted every five years AP

Getting around north-west Europe

Financial Times correspondents guide the traveller around some of region's main business districts, offering the first-time visitor and weary globetrotter alike tips to make their journey a little smoother

UK

By Scheherazade Daneshkhu

The UK is still basking in its image as a "cool" destination, while London remains the financial centre of Europe. The country may still keep Europe at arms-length but the cultural influence of Europe is unmistakeable.

Visas

Travellers from EU countries, the US, Australia, Brazil and Japan do not need a visa, but nationals of some 120 countries do.

Airlines

The UK is well served by international airports, with London and Birmingham being the main business destinations. London's Heathrow is Europe's busiest airport with 58m passengers and more flights than Frankfurt, the second busiest. The airport is struggling to win permission for a fifth terminal in the face of strong opposition from environmental campaigners. London City airport in the capital's Docklands area can be a handy alternative to Heathrow for European business travellers though it is still a relatively small airport handling 1.2m passengers a year. Gatwick, south of the capital, is also one of Europe's busiest airports, and many airlines, especially from North America, use this gateway.

Local transport

In June, Heathrow joined the growing number of international airports that are building rapid rail connections to overcome increasing road congestion. The Heathrow Express covers the 17 miles to Paddington station in 15 minutes compared with an Underground journey time of 50 minutes and a peak-hour taxi journey time of one hour. A single standard ticket costs £10 rising to £20 for a first class seat.

Hotels

The international chains are well-represented in London, which also has a growing number of boutique hotels. Finding a room is difficult at peak times and prices are among the highest in Europe. A growing number of budget hotels, such as Travel Inn, Travel Lodge and Holiday Inn Express offer a cost-effective if spartan alternative.

Eating out

London has undergone a gastronomic renaissance over the past five years. Virtually every type of cuisine is catered for but good restaurants tend to be booked up and are relatively expensive. Birmingham is well-known for its thriving Chinese restaurants.

FRANCE

By Samer Iskandar

Visa and Mastercard payment cards are accepted for most purchases, and 24-hour automated cash dispensers can be found at nearly every street corner. Banks and bureaux de change charge outrageous commissions and are best avoided.

Visas

Citizens of European Union countries, the US, Canada, Japan, Australia, Switzerland and most of the industrialised world do not need visas. A French visa allows its holder to travel across the so-called Schengen borderless area – Italy, Spain, Germany, Portugal, Austria, the Benelux region and Greece – although visas restricted to France can be granted if one or more of the other Schengen states turn down the applicant.

Airlines

All large cities have international airports, but limited competition has failed to drive down fares on most routes.The Eurostar train between Paris and London is almost as fast as flying, after accounting for journeys between the airport and the city centre. The Thalys from Brussels beats flying on all fronts (practicality, cost and time).

Local transport

Taxis have an irritating tendency to pick up passengers only at designated stations, which removes their main advantage over public transport. Buses, the metro and recently-completed tramways in some cities are modern, mainly clean, safe and relatively cheap. Car rental is also attractive, as illegally parked cars are seldom removed or clamped and fines are low – often cheaper than paying at the meter. France's extensive rail network makes travel very easy from Paris to the main cities, although the infrastructure allowing TGV fast trains to run at 300km an hour has yet to be completed. Inter-city rail travel – especially on east-west routes – is less developed. Intense competition between some of the smaller airlines, and the recent merger of Air France, the national carrier, with its domestic arm, Air Inter, have pushed down prices on some popular routes such as Paris-Toulouse and Paris-Marseilles, making flying a cost-effective alternative to rail travel. Driving long distances is pleasant – especially if time is allowed for sightseeing.

Hotels

A wide range of hotels to suit all tastes – and purses – can be found in the main cities. While first class lodgings can reach astronomical prices, executive hotels are reasonably priced relative to comparable products elsewhere in the EU. It is prudent to book in advance. It can be virtually impossible to find a room in Paris, for example, during the fashion show season, the bi-annual motor show or some important conferences.

Eating out

The country lives up to its reputation for widely available good food at moderate prices. But diners get much better value for money outside Paris, especially at the luxury end of the market. Good service is not always synonymous with efficiency, and customers expecting US-style deference risk being disappointed. A large number of cafés-brasseries offer decently-priced meals from as little as FFr150, especially at lunch -ime. It is *recommended to try the day's specials* – "plats du jour" – which are usually made with fresh ingredients. Non-smokers will often feel discriminated against.

REP OF IRELAND

By John Murray Brown

Ireland, once an industrial backwater better known for its bucolic charms, now boasts many of the world's leading hi-tech companies. Business travellers have a choice of international quality hotels and restaurants – and at international prices, too. Dubliners complain about the traffic congestion, but its still possible to walk between most key destinations in this intimate of capital cities – notwithstanding the occasional shower of rain.

Visas

Citizens of the European Union and those of the US and Japan do not require visas.

Airlines

Aer Lingus, the national carrier, together with Ryanair, the low-cost, no-frills airline, offer an extensive network of destinations in the UK and continental Europe. In addition, Aer Lingus serves a number of US routes. The Dublin-London corridor is one of the busiest in Europe, with new competition helping to keep prices down. Commuting from Dublin to London or Brussels is now possible.

Local transport

The lack of taxis in Dublin is a persistent grumble of visiting business people. For locals, the Dart – or Dublin Area Rapid Transit service – offers the best way to get around. Reaching other parts of the country will invariably take longer than you imagine. The 90-mile trip to Belfast can take three hours to drive and two hours if you take the new Enterprise train service. Roads to the west and south can be crowded and often in need of repair.

Hotels

Dublin now has a string of first class hotels, including the newly-built Merrion in a refurbished Georgian house which was the family home of the Duke of Wellington. The Shelbourne Hotel, however, retains pride of place, with its old world decor contrasting with the pop and film stars patronise its two famous bars. For more affordable accommodation the Hibernian Hotel is recommended, as is the Georgian House Hotel on Baggot Street.

Eating out

Dublin has seen an explosion of new restaurants, although many are of mixed quality, particularly in the newly-developed Temple Bar area. In the city centre, Fitzers in Dawson Street is a popular haunt for workaday professionals. La Mere Zou does a good lunch which blends Belgian cuisine with wholesome Irish produce. Further afield, Cavistons in Sandycove offers the best fish in Dublin. But nothing is cheap. Be prepared to pay at least I£50 for a meal for two.

Amsterdam's diamond district is a popular spot for business visitors and tourists alike — Veronica Garbutt

BELGIUM

By Derek Blyth

Belgium benefits from its prime location at the heart of Europe's prosperous northern belt. International companies are also drawn to Belgium by the excellent transport infrastructure, conference services and multilingual workforce. Linguistic squabbles continue to rumble, but the country has so far resisted the temptation to split into separate Flemish and Walloon states. Dutch is spoken in Flanders, French in Wallonia and both in Brussels, though most people are happy to communicate in English.

Visas

European Union citizens do not require a visa, nor do visitors from the US, Japan or Switzerland.

Airlines

An extensive international network is served by the national airline, Sabena, which co-operates with Swissair. Direct flights to the US are offered by Sabena, Delta, United and American Airlines. Virtually all flights use Zaventem airport, near Brussels, which is currently being modernised to improve rail links and reduce transfer times. There are also small regional airports at Antwerp, Charleroi, Liege, and Ostend.

Local transport

The country's efficient rail network provides an alternative to internal airline connections. Direct trains connect Brussels with all large and most medium-sized towns in the country. High speed Thalys trains run from Paris to Brussels in 1.5 hours, and Eurostar trains travel from London to Brussels via the Channel Tunnel in under three hours. Brussels has an efficient metro system and is upgrading its tram network. Trains run directly from Zaventem airport to the three main Brussels stations.

Hotels

The leading business chains have first class hotels in Brussels, including Hilton, Sheraton, SAS Radisson and Holiday Inn. Business hotels tend to be clustered around Grand'Place, Place Rogier, Avenue Louise and the European district.

Eating out

From country taverns to three-star establishments, Belgium has some of the finest restaurants in Europe. The centre of Brussels is thick with traditional restaurants offering mussels and *frites* and other specialities. Many restaurants are packed into the Ilot Sacre district near Grand'Place. Though some places are tourist traps, several old Brussels establishments have survived, such as the Aux Armes de Brusselles, Scheltema, Vincent and La Roue d'Or. Pierre Wynants' Comme chez Soi is generally considered the best restaurant in Brussels.

LUXEMBOURG

By Neil Buckley

Tiny Luxembourg's location at the junction of France, Belgium and Germany makes it a big destination for conferences. The presence of 220 banks in its thriving financial sector, of Europe's biggest commercial broadcaster, CLT-Ufa, of Societe Européenne des Satellites, operator of the Astra satellite network, and of several European Union institutions, also mean the Grand Duchy attracts ever-increasing numbers of business travellers. Lëtzebuergesch, the national language – related to the German dialects of the western Rhineland and Moselle valley – is still widely spoken, but French and German are the main, written business languages, and English is widely understood.

Visas

Visas are not required by visitors from European Union countries, many other western and eastern European states, North America or Japan.

Airlines

Luxembourg is connected to a variety of European destinations, including Athens, Barcelona, Berlin, Frankfurt, London, Madrid, Milan, Paris and Rome, by the national airline, Luxair. Luxair added five new destinations – Bologna, Dublin, Florence, Stuttgart and Stockholm – last month. Sabena operates links with Brussels, British Airways with London and Manchester, and Aeroflot with Moscow and St Petersburg, while Icelandair links a number of North American destinations.

Local transport

Despite its small size, Luxembourg has a train and bus network covering 870 miles. Six rail lines serve 24 domestic stations, and under the "Takt '98" plan adopted this year, every station should be served by at least one train an hour. A one-day ticket valid across the train and bus networks costs LFr160, while short-distance tickets valid for an hour cost LFr40. Luxembourg also links into the French, Belgian and German rail networks, with regular services to cities such as Brussels, Paris, Frankfurt, and Bonn, and beyond to Rome, Milan, Zürich, Geneva, and Vienna. Taxis cost LFr32 per kilometre; higher at night and on Sundays. There is no train service to Luxembourg's airport, Findel, 6km (4 miles) from Luxembourg City, but it is quickly accessed by taxi (about LFr650), or by Luxair Coach to and from the Air Terminal at the city station (LFr120).

Hotels

Luxembourg City boasts three five-star hotels, Le Royal, downtown on Boulevard Royal, the Sofitel, near the European institutions at Kirchberg, north-east of the city centre, and the Inter-Continental, slightly further north at the top of a valley in Dommeldange. Those in the four-star category include the Sheraton Aérogolf, near the airport, the Novotel, near the European institutions, and several clustered near the City station and in the town centre.

Eating out

The terraces of the Place d'Armes, nicknamed the Parlour of the City and dating back to the 17th century, are the focus of a surprisingly rich culinary scene which reflects not just Luxembourg's multi-cultural European heritage but increasingly includes cuisine from around the world. Eating out is comparatively expensive, however; expect to pay at least LFr2,500 in a good restaurant for a meal for two.

THE NETHERLANDS

By Gordon Cramb

Amsterdam, as national capital – The Hague is merely the seat of government – this year reinforced its position as commercial centre when the Philips electronics group relocated its management from Eindhoven. Visitors will encounter English speakers everywhere.

Visas

Stays of up to three months require no visa for citizens of the European Union, the US, Canada, Australia or New Zealand.

Airlines

As the oldest airline name still in the sky, KLM has a comprehensive world network of its own. It also has the longest established transatlantic alliance, with Northwest Airlines. Alitalia is due to join the tie-up around the end of the year, meaning visitors from almost any premier business city should reach Amsterdam's Schiphol airport with one transfer connection, if that. Restrictions on aircraft noise have brought worsening delays – these concerns, and the Dutch weather, often close all but one of its four runways.

Local transport

An efficient rail network traverses the flat landscape at a decent clip. The Hague, Rotterdam and points beyond are directly served from Schiphol. Into Amsterdam, an airport taxi should cost not much more than Fl 60. On tram, bus or metro, visitors making a few journeys do better to pre-pay with a national *strippenkaart*, available at stations and some newsagents. In the machine on board a tram, punch off the number of zones plus one. For the metro, it is found at the platform steps.

Hotels

The Golden Tulip chain has some 70 establishments across the country, from three-star Tulip Inns to the flagship Krasnapolsky on the capital's Dam Square. The 131-year-old Amstel Hotel is, if anything, grander than the Grand, though less central. Amsterdam is seeing an arrival of chic boutique hotels in the style of London's Hempel. Hague dignitaries stay at Des Indes Inter-Continental. In whichever city, rooms can be scarce.

Eating out

Amsterdam restaurant prices are not high, but a memorable meal is rare. For an imaginative treatment of fresh local produce try Bordewijk or Van Vlaanderen. The locals dine early: kitchens can close by 9pm. Lunch is at midday, when a Dutch host commonly regards as adequate an offering of vegetable soup, filled rolls and a glass of milk. Best vista for a summer meal in the capital is the canalside terrace of the Hotel de l'Europe.

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